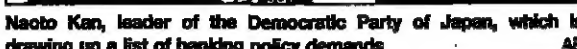


Tax stimulus fails to impress

Most economists believe



The other drawback is

When the LDP announced plans earlier this summer to create a "bridge bank" to help wind up insolvent banks, some western diplomats and investors hoped

Japanese bureaucrats insist that the cynics simply need to wait. Real change, they argue, cannot start until the Financial Supervisory Agency, the banking regulator, has completed an audit of the banks this autumn. Meanwhile, partici-

After all, the US Treasury justified its decision to support the yen in June on the grounds that it believed that Tokyo was poised to implement banking reform soon.

Dealers in China rush to US dollars

the official exchange rate of just under RMB8.3. The black market rate hit a peak of RMB9.2.

In Beijing too there has been a rush to buy dollars which are trading at roughly RMB8.8 on street corners.

Hong Kong's streetside for

ity of any devaluation of the Chinese currency in the near future. "There is no possible likelihood for the renminbi to depreciate or be devalued," he said.

Vietnam devalues currency by 7%

year's steep falls in the value of other south-east Asian currencies. The government argued at the time that a sharp devaluation would undermine efforts to build public confidence in both the local currency and the banking system.

Indonesia promises to halve budget deficit next year

The government publishes a list of ambitious targets

Without detailing measures to reach its goals, the government said it hoped to come close to balancing its budget within three years.

compared with a deficit of 8.5 per cent of gross domestic product this year, which is to be covered by foreign loans. Output should bottom out early next year and "significant positive growth" should be seen by 2000, compared with an expected 15 per cent decline in GDP this year.

The government said it had already declared four of the six insolvent, but would not say which. The largest

The government said the agency hoped to sign a memorandum of understanding

claims the second largest private bank branch network, and IBRA officials would not comment on

lift obstacles to debt-for-equity conversion and remove tax disincentives to restructuring.

Flooding Yangtze to be diverted

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The Board of Management

'Country cousins' take the rap for Shanghai crime

Ni Ruiping, a senior officer at the city's Chief Investigation Department, estimates that the crime rate has risen by 10-20 per cent a year this

her body was discovered shortly afterwards in the mortuary of the city's hospital. She had died two days

quicker. There are now 300 migrants in Shanghai. They have contributed a lot to Shanghai for example.

A generation ago, when Mao Zedong's egalitarian revolution had levelled incomes in China, Shanghai's crime rate was at "a low tide"

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...low, say officials: there were only two gun-related murders last year in Shanghai and few drug

it used to be just over contracts, but now it is in all areas, finance, real estate and industry.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

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NEWS DIGEST

CHINA'S FINANCIAL SERVICES

Currency curb lifted on foreign banks in Shenzhen

Beijing is to allow several foreign banks in Shenzhen, the southern city neighbouring Hong Kong, to conduct business in local currency, a further step in the liberalisation of financial services in China.

The Chinese government also plans to increase the number of foreign banks in Shanghai carrying out business in renminbi, according to reports yesterday. Nine branches of foreign banks are currently allowed to conduct renminbi business in Shanghai's Pudong district.

The State Council, China's cabinet, is expected to make an announcement soon regarding further opening of the financial sector, according to a spokeswoman of the State Council quoted by Reuters.

The People's Bank of China, the central bank, is also expected to ease restrictions on foreign banks' local currency business, including requirements on operational capital and interbank dealings.

Foreign banks were first allowed to start local currency business last year, but restrictions on operating licences have meant the business has proved far more modest than originally hoped. James Harding, Beijing

INDONESIAN CRACKDOWN

Troop withdrawal from Aceh

Indonesia's military chief said he would halt a crackdown on guerrillas in the Sumatran region of Aceh and withdraw troops, as part of attempts to damp separatist sentiments in various parts of the country.

General Wiranto, visiting Aceh in response to recent reports of mass killings and abuse of local women by the military in the period between 1989 and 1993, said troops would be withdrawing over the next month. "I apologise to the people of Aceh if during military operations the armed forces have made you suffer," Gen Wiranto said, reversing decades of official denial of military excesses in the region.

His announcement followed the reduction of troops in East Timor and hints at the military's willingness to reduce its presence in Irian Jaya.

A parliamentary fact-finding team which visited Aceh last month recommended troop withdrawal, citing army excesses. It denied reports it had found 10 mass graves of civilians and separatist guerrillas. Sander Theones, Jakarta

NIGERIA

State deputies named

Nigeria's new military ruler has named a new electoral commission and 15 state deputies to help prepare the country for a democratic transition by next May.

General Abdulsalam Abubakar warned yesterday that the newly-appointed Council of State - which oversees the government of the country's 36 states - should refrain from meddling in civilian political affairs ahead of democratic elections early next year.

The military council, appointed late on Thursday, excludes several known allies of the country's late dictator General Sani Abacha.

Gen Abubakar also appointed a new National Electoral Commission, to be led by a 71-year-old former appeals court judge, Ephraim Omuokese Akpa. AP, Lagos

UKRAINE

Kuchma revises budget

Leonid Kuchma, Ukraine's president, signed a decree yesterday revising the country's 1998 budget, which will pave the way for a \$2.2bn, three-year loan from the International Monetary Fund.

Last week, the IMF tentatively agreed to the loan, which is based on Ukraine's ability to fulfil a number of macro-economic conditions, provided Mr Kuchma passes a revised budget calling for an overall cut in expenditure of 30 per cent for the remainder of the year. Details of the budget that Mr Kuchma signed were not immediately available.

The IMF's executive board will make a final decision in late August on whether to award the first \$200m-\$250m tranche. Charles Clover, Moscow

FRENCH POLITICS

Léotard under investigation

France's demoralised rightwing political parties suffered a further blow yesterday when François Léotard, president of the liberal UDF and a former defence minister, was placed under formal investigation for alleged illicit financing of the now defunct Republican party.

Bernard Dondieu de Vabres, a close associate and UDF deputy, has also been placed under investigation. Both men have denied any wrongdoing and their supporters have suggested the FF5m (\$838,000) suspected of being illegally provided in 1996 to the Republican party came from special funds controlled by the prime minister's office. Robert Graham, Paris

EMPLOYMENT RIGHTS

Trade unionists call for forum

International trade union leaders yesterday agreed to support the creation of a new union forum to protect cross-border employment rights and fight unemployment.

The presidents of nine trade union confederations - including the AFL of the US, Russia's Flor and Coesta of South Africa - endorsed a call from the LO, Sweden's trade union organisation, to set up an international co-ordination group that would discuss the impact of the rapidly globalising world economy on labour rights.

"Wage earners all over the world every day live with the threat of unemployment, impaired security of employment and increasing injustices," said Bertil Jonsson, LO president. Tim Burt, Stockholm

DUTCH ECONOMY

Strong consumer demand

Healthy consumer spending is fuelling the Dutch economy faster than expected. The Central Planning Bureau, the government's economic think-tank, confirmed it had revised its 1998 growth forecast to 4 per cent from its previous estimate of 3.75 per cent.

The growth estimates, the highest in eight years, will be incorporated into the government's 1998 budget to be presented next month.

Government sources attributed the upward revision, which coincided with news of a slowdown in inflation, to stronger-than-expected consumer demand in the first half of the year. However, the bureau maintained its forecast for 1999 economic growth of 3 per cent.

Dutch consumer prices rose an annual 2.0 per cent in July from 2.2 per cent a month earlier, thanks chiefly to a slowdown in rent increases, the statistics office said. Jeremy Grey, Amsterdam

Annan proposes surprise new approach to Iraq crisis

By Laura Silver at the United Nations in New York

Kofi Annan, UN secretary-general, has taken the Security Council by surprise by proposing a new policy of engagement with Iraq.

Council members reacted positively yesterday to his suggestion of a "comprehensive reassessment" but were still struggling to pin down what would be entailed.

Among the options was a possible visit to UN headquarters in New York by Tariq Aziz, Iraq's deputy prime minister, and the involvement of visiting ministers.

Mr Annan and the Indian diplomat, Pravin Shah, his special representative in Iraq, would also be expected to play a role.

Damilo Turk, the Slovene ambassador to the UN and the council's current president, said the review would probably cover the three areas of UN relations with Iraq - disarmament, sanctions and the oil-for-food deal, a humanitarian programme allowing Baghdad to export oil to purchase food and medicines.

Until now, the Security Council has addressed these issues separately.

Diplomats said yesterday Mr Annan had not consulted the council before suggesting the new approach. His move followed the Iraqi move to suspend co-operation with Uncom, the weapons inspectors charged with dismantling Baghdad's arsenal of deadly weapons.

The suggestion to the council came just hours after Mr Annan spoke by telephone with Mr Aziz.

The US has made clear it is unwilling to agree to any rethink of policy or change in the sanctions regime. President Bill Clinton said on Thursday that unless Iraq changed tack and resumed co-operation with Uncom, the US would block any attempt to ease sanctions.

Despite dismissing the Iraqi move as "totally unacceptable" the Security Council is backtracking from its threat of "severe consequences" if Baghdad violated the accord Mr Annan personally negotiated with Iraqi President Saddam Hussein in February pledging full access for UN inspectors.

The UN imposed sanctions, including an oil embargo, after Iraq invaded Kuwait in August 1990. Uncom must certify that Iraqi weapons have been destroyed before the sanctions can be lifted.

Diplomats yesterday made clear that the Security Council did not even mention the possible use of force or even discuss "serious consequences" of Iraq's latest defiance.

Although showing little appetite to threaten force,

missioner of the Bureau of Labour Statistics, said that even services were affected by the GM strike.

However, job gains during July were broadly based outside manufacturing. There was a sharp 69,000 rise in restaurant workers within the retail sector.

Jim Saxton, Republican chairman of the joint economic committee, said the expansion, which began in 1991, continued to generate

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Annan: Security Council members trying to pin down what his "comprehensive reassessment" entails

US and British diplomats remain deeply sceptical about Mr Annan's proposal for yet another review. They noted that since the last crisis there had been a series of "technical evaluation meetings" on Iraq's proscribed weapons programmes and the oil-for-food limit had been more than doubled to \$5.2bn every six months.

US jobs growth shows signs of slowing

By Nancy Dunes in Washington

US jobs growth slowed down in July, although the monthly unemployment rate was unchanged from June at 4.5 per cent, the Labour Department reported yesterday.

According to a survey of individual households, the number of unemployed manufacturing workers increased from 746,000 in June to 862,000 in July. The

General Motors strike directly accounted for about 140,000 job losses.

The department said the economy gained 66,000 jobs last month, compared with an increase of 196,000 in June. Vehicle manufacturing was hit by the GM strike, with a loss of 111,000 jobs. There were also losses in fabricated metals, primary metals, industrial machinery, rubber and plastics and apparel.

"Growth is slowing significantly," said Charles McMillon of the Washington-based consultant MEG Economics.

"The unemployment rate would have risen but for a large number of people dropping out of the labour force."

He said there was little inflationary pressure coming from the jobs sector. Production workers' wages rose from an average of \$14.27 an hour in June to \$14.35 in July, according to preliminary estimates.

The electronic components and food products industries lost jobs, while employment in textile mills continued its slow, long-term decline. But jobs increased in the aircraft sector, and construction continues to boom. The sector bottomed out in July 1992, and it has grown at an average annual rate of almost 5 per cent, twice the pace of overall employment growth.

Katherine Abraham, com-

missioner of the Bureau of Labour Statistics, said that even services were affected by the GM strike.

However, job gains during July were broadly based outside manufacturing. There was a sharp 69,000 rise in restaurant workers within the retail sector.

Jim Saxton, Republican chairman of the joint economic committee, said the expansion, which began in 1991, continued to generate

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INTERNATIONAL

Congo leader turns on his former supporters

By Mark Turner

Congo's beleaguered President Laurent Kabila yesterday signalled the collapse of the alliance that helped bring him to power when he accused Uganda's President Yoweri Museveni, once his leading supporter, of aggression.

Mr Kabila has already accused Rwanda, his other erstwhile ally, of supporting the spreading rebellion against his 15-month-old government.

As regional leaders began

a summit at Zimbabwe's Victoria Falls, he said he would have a special message for Mr Museveni and Rwanda's powerful vice-president and defence minister, Paul Kagame.

"I will tell these gentlemen to withdraw their soldiers from Congo. I will say, 'You are an aggressor, Mr Museveni, Mr Kagame. Withdraw from Congolese territory'."

The confrontation with Uganda has raised fears that Mr Kabila may forge a new partnership with former Hutu militia who fled

Rwanda after the 1994 genocide of Tutsi. The Tutsi now dominate the Kigali government.

John Nagenda, President Museveni's media adviser, rejected the allegations as "absolute nonsense".

"We are hearing things that we thought had gone out with [ousted President] Mobutu [Sese Seko]," he said. "We are not involved now, as we weren't during Mobutu's time."

However, Ugandan officials privately concede that relations between the two

presidents have long been strained. Earlier in the day, Mr Kabila met a team of South African ministers in Lubumbashi on the Congo's southern border with Zambia.

"We are hoping that they will be able to normalise the situation. That will be our message," South Africa's foreign minister, Alfred Nzo, said before the meeting.

The absence of South Africa from the Victoria Falls meeting raised doubts about its likely impact. Seven African leaders are

attending the summit, including Ben Muloppe of Tanzania, Sam Nujoma of Namibia, Frederick Chiluba of Zambia and Mr Museveni.

President Robert Mugabe of Zimbabwe, who is hosting the meeting, said he hoped the conflict would not "escalate and cause political turmoil to the whole of the Southern African region and scare away investors".

A diplomatic solution appeared increasingly remote after Sylvain Bikelenge, the commander of the rebel 10th army battalion,

made clear that his ultimate target was Kinshasa and the overthrow of Mr Kabila.

"A political settlement would entail that we keep Mr Kabila in his position and we are totally against that. We believe that the Congo needs new leadership working under a broad-based government," Mr Bikelenge said.

Mr Bikelenge said his forces had captured the oil town of Mbandaka in the west, where two employees of Chevron, the American oil company, were reported to

have been captured by rebels.

He added that other units were now targeting the southern town of Kalemie, gateway to the copper-rich Shaba province.

Mr Bikelenge confirmed that the border town of Uvira near Burundi and Kanyonyola, another eastern town, were controlled by the rebels.

Officials in Kinshasa said an overnight curfew had been imposed in Kisangani, where fighting was reported earlier in the week.

IBM to withdraw Olympic Games support

By Patrick Harriman in London and Roger Taylor in San Francisco

IBM is to end its sponsorship of the Olympic Games after 40 years, because it is unwilling to work alongside other information technology companies, the International Olympic Committee said yesterday.

Pascal Watiaux, director of technology at the IOC, said there were two reasons for the "joint decision" between IBM and the IOC to end the sponsorship.

He said they disagreed over the IOC's decision that in future it wanted IBM to share the provision of information technology (IT) services to the Olympics with other companies.

While the IOC wanted three or four top IT companies to provide the technology for the summer and winter games — with each chosen as an expert in its own particular field — IBM insisted on remaining the sole supplier.

"It is critical to the Olympic Games and we value the multiple-supplier solution where you can take advantage of what the best IT providers in each sector have to offer," said Mr Watiaux.

He added that the IOC believed the multiple-supplier policy would also be a more cost-effective solution to the games' IT needs, and would ensure the Olympics kept up better with the rapid evolution of technology.

IBM said yesterday that it believed "technology inherently should be integrated" and that "the technology sponsor should be unique" but that the main hurdle to an agreement with the IOC had been price.

It is understood to have spent \$100m on the Nagano winter Olympics and is scheduled to spend a good deal more on the Sydney games in 2000.

IBM added that it was not reducing its sponsorship budget but was now looking at other international sporting events.

Mr Watiaux denied that the highly publicised technology problems that dogged the Atlanta Olympics in 1996 were the reason for the split with IBM. "Atlanta is part of the past. The problems faced there have not been a major factor in this decision," he said.

Mr Watiaux said the IOC had been working for several months on lining up the replacements for IBM, but had not yet signed any deals.

IBM will end its sponsorship after the Sydney Games in 2000.

Canadian bank supports C\$

By Edward Alden in Toronto

Canada's central bank yesterday reversed course and launched its most aggressive intervention since January in an effort to stem the slide of the Canadian dollar.

The surprise move, at the opening of the North American trading day, pushed the Canadian currency up more than a full cent against the US dollar, but by midday about half that ground had been lost.

Currency traders claimed the Bank of Canada had spent at least US\$500m and perhaps more than US\$1bn buying Canadian dollars, on a day when the dollar was thinly traded. This followed

an estimated US\$500m to US\$600m spent in a futile effort to stop the currency's sharp fall on Thursday.

Several traders said the bank, which had rarely intervened despite a nearly 5 per cent drop in the currency since the beginning of June, had now drawn a line in the sand and appeared determined to prevent the Canadian dollar from sliding below 65 US cents.

The two-day action dwarfed the US\$400m the bank spent defending the currency in the entire month of July. Canada's foreign reserves stood at US\$22.5bn at the end of last month.

But the intervention is unlikely to stop the erosion of the Canadian dollar

unless the Bank of Canada continues to spend its reserves or follows up its intervention with an increase in Canadian interest rates. It is reluctant to raise rates, because inflation is still low and the economy is slowing.

Yesterday's action was the bank's most aggressive since January, when it spent US\$1.6bn propping the currency and supported the intervention with a 50 basis-point increase in interest rates.

The intervention caught the currency markets off-guard because the bank actively bid the dollar up, a shift from its usual pattern of intervening in an orderly fashion only to stem the dol-

lar's decline. "I haven't seen anything this scale for a long time," said Len Campbell, vice-president and manager of foreign exchange for Citibank Canada.

The intervention started when the dollar fell in early trading to 63.13 US cents, a quarter-cent down from Thursday's close. The bank's buying forced the dollar up to 66.16 US cents in the morning, but by mid-day it had fallen back to 65.7 US cents.

Until yesterday, the central bank had been criticised for the predictable fashion in which it had intervened in the market. Critics said this had made it too easy for currency traders to bet on the dollar's continued decline.



A resident of Athens tries to save belongings from the flames of forest fires that have destroyed homes on the northern outskirts of the city Reuters

Debt blow to confidence in Russia

By Jeremy Grant in London and Charles Clover in Moscow

Russia's battle to revive sagging foreign investor confidence suffered a blow yesterday when the price of its dollar debt plunged to historic lows and the stock market hit its lowest level in 26 months.

The development came as 10 Russian banks were downgraded by credit rating agency Fitch IBCA.

The fall in Russian markets highlights the increasing difficulty Moscow faces in convincing foreign investors that it is tackling

reform when the markets are sending the opposite signal.

Despite the confidence generated by the IMF-led programme, which caused a brief rally in the market, equity buyers have become more pessimistic because of what they see as a lack of concrete results from the government's austerity programme.

"There is a collective depression shaping people's moods and it's just very difficult to turn it around," said Isaac Tabor of West Merchant Bank.

Yesterday the RTS, the

index of the Russian stock market, hit 132.8, compared to the previous low of 134.8 on July 8.

The last time the stock market was at such low levels was May 24 1996, immediately before presidential elections.

The most widely watched debt, restructured Soviet-era paper known as Prims, fell to 36 cents on the dollar yesterday — a fresh historic low. A week previously, it was at 43 cents.

The main reason for the drop in the price of debt is chronic oversupply of medium- and long-term debt.

That, ironically, stems from a recent debt swap scheme that was part of Moscow's efforts to improve its finances. But it also added 40 per cent to the total stock of outstanding foreign currency debt.

Bankers said foreign banks had been dumping such debt this week, with the slide in prices exacerbated by gloom in emerging markets globally.

However, Russian officials yesterday pledged a fresh crackdown on suspected tax dodgers and promised to increase revenues every month.

Four-day fire brought under control in Greece

By Karin Hope

Greek firefighters yesterday brought under control a blaze which had destroyed more than 100 homes and several hundred acres of pine-forest on the northern outskirts of Athens. A man was found burned to death in his car when the four-day fire subsided, police said.

The government declared a state of emergency in the Attica area surrounding Athens. Firefighting aircraft

and specialist crews have been called in from Italy, Germany and France to combat fires raging in southern Greece and on the Iorian island of Kefalonia. A two-day blaze near the site at Olympia, home of the ancient Olympic Games, was still burning yesterday, local officials said.

More than 3,000 forest fires have been reported this summer. A 10-day heatwave and gale-force winds have hampered firefighting efforts.

George Romalos, public order minister, blamed arsonists for setting many fires to clear land for speculative building. He said the fires had destroyed a record 400,000 acres of forest and grazing land.

The government has come under attack for transferring responsibility for firefighting earlier this year from the forestry service to local fire brigades, and for failing to renew Greece's elderly fleet of firefighting aircraft.

Taliban at gates of last outpost of resistance by Afghan militias

By Charles Clover in Moscow, Farhan Bokhari in Islamabad and Amy Louise Kazmin in New Delhi

Afghanistan's Taliban militia has stormed its way to the outskirts of Mazar-i-Sharif, the last big city in Afghanistan to withstand its four-year campaign to spread fundamentalist Islam throughout the country.

Experts say the city could fall at any time, sealing Taliban rule throughout the country. But the predominance of foreign interests in the Afghan conflict means the consequences of a Taliban victory could reverberate far outside Afghanistan's borders.

Foreign experts, many of whom view the Taliban as a creation of the Pakistani army, agree that if it manages to retain control of the city, it would fundamentally alter the balance of power in southern and central Asia, affecting flashpoints in a wide area from Kashmir to Tajikistan to Iran.

"If the whole of Afghanistan comes under Taliban control, it is a great victory for Pakistan and a great loss for us," said C. Raja Mohan, a New Delhi-based strategic affairs analyst. "We want to see an independent and autonomous and moderate Afghanistan."

Mazar-i-Sharif, a provincial town near the vast Hindu Kush mountain range in the north of the country, became the capital of the opposition to the Taliban movement after Kabul fell to the Sunni-fundamentalist



movement in 1996.

Militias made up of Tajik, Uzbek and Shia ethnic groups sprang up in resistance to the Taliban, whose approach to Islam has led it to ban television, photographs and even kite-flying.

But the northern coalition has slowly been pushed back by the superior numbers, weapons and funding of the Taliban, predominantly made up from the Pashtun ethnic group from the south of the country.

Pakistan strenuously denies backing the group and the Pakistani policy establishment is divided between those who support the Taliban as Afghanistan's only workable potential government and those who balk at its extremism.

But the Taliban's resources are ample compared with those of its rivals and it has also won sympathy in several parts of the Arab world.

By contrast, the fall of Kabul in 1996 cemented an alliance between Russia and Iran to back the northern forces.

A Taliban victory in Afghanistan could strengthen Pakistan's political influence in the southern Asia region at the expense of India and Pakistan, who are already engaged in a stand-off over the mountain territory of Kashmir. Mazar is on a road that travels directly into the territory.

"Once they [the Taliban] reach the Pakistan-occupied Kashmir border, any attack into Kashmir is a minute's job. Then the entire policy of the Pakistani army is accomplished," said P. Stobdan, a senior fellow at New Delhi's Institute for Defence Studies and Analysis. "It's a massive strategic game."

For its part Russia has historically sought to preserve

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RAIL INFRASTRUCTURE LCR ADVISERS BELIEVE TOO MUCH WORK STILL REMAINS ON CONTRACTS FOR CHANNEL PROJECT

Restructuring may delay tunnel link work

By Jonathan Ford
in London

London & Continental Railways, the Channel tunnel rail link consortium rescued by the government in June, is unlikely to have completed its financial restructuring by the start of October, when construction work on the first phase of the 68-mile link is due to start.

Advisers to the project believe too much work still remains to be done negotiating the contracts under which the link will be built.

The rescue also requires approval from the European Union and the rail regulator, neither of which have yet given their consent.

Until the restructuring is completed, LCR cannot draw down any finance being raised for the link, which it requires to pay contractors. If work does not start at the beginning of October, the already-delayed project could rapidly fall months behind schedule because of the onset of winter.

LCR is negotiating with the government to raise cash

through the sale and lease-back of rolling stock, that could be used to fund the project on an interim basis. It also plans to issue £80m (£122m) of new shares to provide finance to allow work to start on time.

The government, which has been underwriting LCR's debts since its collapse in January, is thought to be amenable to allowing it to raise further finance. LCR's existing resources could only finance construction work for a few weeks.

LCR intends to issue an

information memorandum on the equity issue to potential investors in the next two weeks. The new shares will give holders an interest only in the future value of the Eurostar high-speed train service linking London to Paris and Brussels.

This is because Railtrack, the rail infrastructure group, has agreed to buy phase one of the link at cost once it is complete. Interest is expected to come from companies with an interest in Eurostar's future, notably National Express, the former

state-owned bus company, which will operate the service under management contract until 2010.

The shares are also expected to attract interest from companies with substantial tax capacity, which will have the right to buy LCR's tax losses from the company as long as they own more than 5 per cent of the shares. The equity issue is also required because LCR's existing shareholders are to be deprived of their shares under the rescue plan. In exchange, they will receive

preference shares, entitling them to a repayment of half their capital on completion of phase one, and the rest when phase two, to central London, is finished in 2008.

Once the restructuring is complete, LCR will receive access to long-term finance from two sources. The company is planning to issue up to £2.65bn of bonds, backed by a government guarantee. It is also raising £700m through a bank loan guaranteed by Railtrack, one of two principal contractors.

NEWS DIGEST

HONG KONG

MPs urge voting reforms in 'flawed' democracy

Democracy in Hong Kong is "seriously flawed" and elections to the former colony's legislative council should be reformed, an influential committee of MPs said yesterday.

Two-thirds of the council's seats were decided by just 140,000 voters out of an electorate of 2.8m, the House of Commons foreign affairs committee noted in a report a year after the handover to China. There was, however, praise for the conduct of the Chinese authorities. "We welcome the clear continuation of the right of free demonstration in Hong Kong," the committee said. "The actions of the police and the civil authorities do not appear to have altered since the handover."

It noted that the annual candlelit vigil to mark the Tiananmen Square massacre passed off peacefully. Pro-democracy activists had feared China would clamp down on demonstrations after Hong Kong became a Special Administrative Region on July 1 1997. Under "one country, two systems", China promised Hong Kong a high degree of autonomy, except in foreign affairs and defence. But the MPs also called for elections by universal suffrage for the post of chief executive, occupied by Tung Chee Hwa, appointed by China.

SUPERMARKETS

Own-brand sales 'near limit'

Sales by supermarkets of "own-label" packaged groceries such as cereal, baked beans and washing powder are close to their limit, according to an analysis by Taylor Nelson Sofres, the UK's largest market research company. Information from the company's Superpanel - 11,000 households that scan all their grocery shopping - suggests that in some areas growth in own-label sales has already begun to decline. At Tesco and Sainsbury, two of the UK's largest supermarket chains, sales of own-label products as a proportion of packaged groceries sold are flat at about 47 per cent and 43 per cent, respectively. At J. Sainsbury, another of the four largest supermarkets, own-label sales have slipped from a peak of 56 per cent in 1994 to 52 per cent this year. Alison Smith, London

SOCIAL WORK

Glasgow strike splits union

Glasgow city council yesterday won an interim interdict - the Scottish equivalent of an injunction - ordering the trade union Unison to disassociate itself from a strike by the city's social workers. About 2,000 staff have been on unofficial strike since Monday in protest at the suspension of two colleagues who refused to co-operate with the council's plan to transfer 3,000 home helps from the social work department to catering and domestic services. National officials of Unison oppose the transfer but have urged their members to return to work and accept terms, including new working practices, agreed this week between the union and the council. However, the proposed settlement was overwhelmingly rejected at a mass meeting on Thursday, and local union branch officials are supporting the strikers, thus splitting from their national colleagues. James Burton, Edinburgh

THE ECONOMY

Minister warns on pay deals

High private-sector pay increases will lead to higher interest rates and slower growth, Stephen Byers, the chief secretary to the Treasury, warned last night. In his first important speech since joining the cabinet, Mr Byers reinforced the chancellor of the exchequer's plea for private employers to follow the public sector's lead on pay restraint. In another government swipe at "fat cat" salary increases, Mr Byers said: "All of us starting from the boardroom onwards must now show the responsibility that the country needs." Mr Byers had earlier denied reports that the cabinet had decided to forgo pay rises awarded just before the election for another three years. He said the decision would be made in the autumn. But senior ministers are convinced the two-year freeze will be extended. However, Kim Howells, industry minister, said yesterday the government was keen to see pay increases at the bottom end of the scale. Mr Howells urged employers not to exploit holiday staff taken on over the summer with low wages. He pointed out that the national minimum wage that comes into effect in April will prevent such exploitation next summer. The opposition Conservative party claims the introduction of a minimum wage will stoke inflation more than high salary rises at the top of the pay scale. David Wighton, London

NATO SUMMIT

Birmingham to host meeting

Birmingham, England's second-biggest city, is to host the Nato defence ministers' meeting in October 2000. The city, in the English midlands, this year played host to the G8 summit - as well as the Eurovision song contest - and expects 1,000 delegates and 400 journalists for the event, which will be held at the International Convention Centre. Juliette Jowit, Birmingham

NORTHERN IRELAND IRA TERRORIST FREED

Unionists signal acceptance of prisoner release

By John Murray Brown
in Dublin

The Ulster Unionists yesterday signalled reluctant acceptance of the release of paramilitary prisoners as the government of the Republic of Ireland freed a notorious terrorist convicted of playing a role in the murder of Queen Elizabeth's cousin.

Ken Maginnis, security spokesman for the UUP, the biggest pro-British party in Northern Ireland, said: "The release of murderers for political reasons is unacceptable for many of us, but we have got to try to find some kind of way forward."

The shift in the UUP stance on prisoner releases came as Thomas McMahon, sentenced to life for his part in the 1979 assassination of Lord Mountbatten, the last viceroy of India, walked free from Dublin's Mountjoy jail.

This is the closest the UUP has come to endorsing the accelerated prisoner release programme. The scheme is part of the April agreement establishing a new Northern Ireland assembly to take over administration of the region which, since 1972, has been run from London.

For the unionist community this has proved the most controversial aspect of the agreement.

Mr Maginnis's comments were echoed by John Maxwell, father of a teenager who died in the attack along with Lord Mountbatten, his grandson and the Dowager Lady Brabourne. Their boat was blown up by an IRA bomb.

"Thomas McMahon has served his time and, if he is no longer a danger to society, then he should be released," Mr Maxwell said yesterday.

The Irish cabinet had considered Mr McMahon's early release several times before last week's decision. Irish officials said Mr McMahon had been out on parole most weekends, having formally renounced his links with the terrorist organisation.

Buckingham Palace confirmed the Queen had been told of Mr McMahon's release. It has increased speculation that the British government may move to free two Scots Guards jailed for murdering an unarmed Catholic in Belfast, the Northern Ireland capital, in 1992.

The UK government last week set up a 10-member Sentencing Review Commission to consider applications for early release under the terms of the Northern Ireland Sentences Act.

On Thursday around 400 republican and loyalist paramilitary prisoners in Northern Ireland jails were invited to fill in application forms for the commission chaired by Sir John Helleach, a former top civil servant at the UK government's Northern Ireland Office.

The process, if there are no hitches, could take less than a month. But officials say a decision in most cases will take longer as the commission considers the various tests envisaged in the legislation to ensure public confidence in the process.



Minister admitted to druid magic circle

Ron Davies may not be in the prime minister's inner circle - but the chief minister for Wales yesterday welcomed into another magic circle, Juliette Jowit writes. Mr Davies took his place as a fully fledged druid at the National Eisteddfod, the annual celebration of Welsh culture, dressed in the traditional long white robes and

flowing head-dress. In terms of the Gorsedd, the council of bards and druids, the minister ranks above Queen Elizabeth, who as Princess of Wales became a lesser, green-robed oblate in 1946. Mr Davies' title - awarded for pushing through devolution - will be a vote winner in his campaign to lead the proposed Welsh Assembly.

Building societies increase interest rates

By George Graham,
Banking Editor

Nationwide and Bradford & Bingley, the UK's two biggest surviving building societies, yesterday gave up their struggle to hold down mortgage rates, announcing increases bringing them closer to those charged by the biggest mortgage banks.

Building societies are mutually-owned savings and loans institutions. Many have converted to banks. The rise in the Nationwide's standard variable mortgage rate to 8.5 per cent from 8.1 per cent comes two weeks after the society's members voted by the thinnest of margins to remain mutual.

Nationwide's board had campaigned fiercely for

mutuality, arguing it enabled the society to offer customers much lower mortgage rates than banks.

Both Nationwide and Bradford & Bingley - which yesterday lifted its variable rate to 8.7 per cent from 8.5 per cent - had left their mortgage rates unchanged when the Bank of England, the UK central bank, raised its interest rate to 7.5 per

cent in June. They decided to move after the monetary policy committee announced on Thursday that it was leaving rates unchanged.

The mutuals' standard variable rates remain below the 8.9 per cent charged by most banks, but the gap has narrowed.

Their competitive advantage is also much less marked on fixed-rate mort-

gages, which are accounting for an increasing share of the market, and on incentive packages offered to remortgagors and first-time buyers.

Nationwide said its lending-rate increase, to take effect on September 1, would be its first for a full 12 months. In the meantime, the central bank has raised interest rates twice. Its savings rates will also go up.

Proportion of no-work households rises

By Robert Taylor,
Employment Editor

Just over half the UK's 18m working-age households have everybody in employment but the proportion with no one working is increasing, according to figures yesterday from the Office for National Statistics.

The data, derived from the spring 1997 Labour Force Survey, show a widening

inequality between households in and out of work.

They reveal that 17.7 per cent (3.16m) of working-age households had nobody in work although two-thirds had one adult of working age. In 9.4 per cent of working-age households, at least one person was unemployed.

Lonely parents with dependent children were the most likely group to be out of work. In spring 1997, 54.8 per

cent of such households had nobody in employment.

The data reveal a disparity between different regions. The proportion of households with no one in work was highest on Merseyside in north-west England at 26.1 per cent (115,000 households). In north-east England the figure was 22.5 per cent (182,000). In Northern Ireland 22 per cent (106,000), in Scotland 20.7 per cent (340,000)

and in Wales 20.7 per cent (182,000).

The proportion was lowest in south-east England at 12.4 per cent (301,000), with the south-west on 13.5 per cent (198,000), the eastern region on 13.8 per cent (433,000) and the east Midlands on 16.0 per cent (192,000). In London, 18.8 per cent of households (433,000) had nobody in employment.

The Labour Force Survey

also indicates big differences according to ethnic group.

White households were the most likely to have everybody of working age in employment (54.5 per cent). Households of Pakistani and Bangladeshi origin had the lowest figure (12.7 per cent).

Most ethnic minority groups had high proportions of households (up to 30.0 per cent) with no one in work.

Confusion and suspicion as accountants seek bond of friendship in dispute

The Big Five and the City are at odds over the balance of liability in debenture issues. Jim Kelly explains what is at stake

An ill-tempered dispute has erupted between the "Big Five" accountancy firms and the City of London over liability caps. The firms have tried to cap their risks when signing "comfort letters" accompanying certain debenture issues. Institutional stockholders, represented by the Association of British Insurers, will have none of it.

These kinds of debenture - popular with businesses strong on fixed assets, such as brewers, housing associations and property compa-

nies - are rare but can be worth £100m (£165m). Rarely has led to infrequent accounting that has led to confusion and suspicion. The last time things came to a head, the Big Five firm involved declined to offer the comfort letter and was replaced by a middle-tier firm offering unlimited liability. In another case the cap slipped through unnoticed.

The Big Five firms - represented by PricewaterhouseCoopers - suggest that the stockholders are using the

accountants as a "cushion inside the trousers" to fall back on in case the issue failed and they need someone to sue.

We have heard some of these arguments before. Last year the Big Six - as they then were - funded off an inquiry from the Office of Fair Trading over an agreement to limit liability in investment projects. The British Venture Capital Association found itself in a similar stand-off to the ABI. Eventually a compromise was agreed: the Big Five had to drop a blanket cap but the principle of proportionate liability was accepted.

But the context is much wider. The accountancy pro-

fession has been campaigning for a decade for a change in the liability laws to make them less harsh for accountants - and particularly auditors, who are prevented

Accountants have waged a 10-year campaign for a change in the liability laws to make them less harsh

by law from limiting their liability at all in the case of the statutory audit. In the US, a similar liability regime led to a flood of claims - with at least one large firm collapsing and, eventually, liability reform.

UK accountants have two goals. To restrict risk within the firm and to restrict risk in the market. Success on the first goal is close at hand, with the government

poised to publish a limited liability partnership (LLP) law. This will protect the personal assets of non- negligent partners from legal actions - but not the assets of the firm or of the negligent partners.

The second goal looks less likely.

The accountants want fundamental reform of the principle of joint and several liability at law. Under the present regime any party to an action who can be shown to be negligent to an extent that they could have caused the entire loss can face paying all the damages - even when other parties are more at fault but have no resources to pay. Despite its oddities, this law is seen by many as a safety net for shareholders and victims of negligence.

Before the government plunges into such reforms it awaits two developments. First, it wants the account-

ants to show that they have tried everything possible to limit liability by contract - as they are allowed to do - outside the statutory audit. Hence the caps introduced in venture capital deals and bond issues.

But a second, more fundamental, hurdle has recently loomed. The bill has been passed to the long-term review of company law - a government policy paper on which is not expected until 2001.

It seems likely that the government wants to explore altering the overall liability regime - affecting shareholders, directors, investment bankers, actuaries and

so on, as well as accountants and auditors.

Some detect concern among, for example, the merchant banks and valuation experts that if the liability of accountants is being limited, their risk may be increasing. Others may wonder what effect it has on the unlimited liability of the auditor who checked the accounts of the company backing the bonds - an auditor often from the same firm as that which issues the comfort letter.

If these bond issues were more common then, perhaps frequent accounting would have engendered more friendship. As it is we have, at best, mutual suspicion.

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Blips, panics, corrections

Why now? That is the obvious but difficult question posed by the mini-panic on Wall Street this week. Since its recent peak, the Dow Jones Industrial Average has lost about a tenth of its value. So, too, with the FTSE 100 index, while continental Europe has seen significant, if lesser, declines.

There is, of course, no satisfactory answer, other than the one offered by the elder J.P. Morgan in similar circumstances earlier this century. There were, he said, more sellers than buyers. No doubt the great man was doing his fair share of selling on the way down.

In the present instance, the main source of trouble appears to have been a growing realism about the earnings prospects in US industry and commerce. Yet this is old news. We have known for some time that corporate profits in the first quarter of this year were down on their level in the previous two quarters, in spite of rapid growth in output.

Margins were being squeezed as a result of rising wage costs in a very tight labour market. Such is the intensity of competition in the US economy that the corporate sector has little ability to pass on increased costs in higher prices. As the Asian crisis has worsened and the dollar has strengthened, the earnings outlook has been deteriorating further over the course of the year.

Yet until now the markets have shrugged off the increasingly gloomy statements emerging from companies in the tradable sector. As John Kenneth Galbraith put it after the 1987 stock market crash, it has looked suspiciously as though "people and institutions were in the market for no reason except that it was going up".

The great difficulty in judging market movements is that there is a constant tension between "real" factors such as corporate earnings and dividends, and financial factors such as the growth of money, the availability of credit and the supply and demand for savings.

Real factors

Research by Gordon Pepper at Britain's City University has shown that over periods of up to a year or so, the financial factors are far more important for the performance of the equity market; the behaviour of aggregate earnings and dividends tends not to matter. Over much longer periods, however, the real factors become more important. This makes sense, because fluctuations in money and credit usually reverse themselves over time.

Unfortunately, this analysis is not over-helpful at times like the present, when monetary conditions have not been changing dramatically. The difficulty is compounded by the increasing polarisation in equities. The buying surge that took Wall Street to its all-time high was increasingly confined to companies with big market capitalisations, especially in high technology. For the great army of smaller companies, it has long felt like a bear market.

This smacks of the late 1960s, when the so-called "nifty fifty" giant corporations became the almost exclusive focus of Wall Street's attention. Note, too, that corporate profits in the second and third quarters of last year went back above 10 per cent of gross domestic product for the first time since 1968.

Not reassuring

Yet the message of history is not wholly reassuring. Some who bought nifty fifty high-tech stocks at the top in the 1960s saw more than one decade pass before the real value of their investment was restored. How many investors in Microsoft know that?

So is the party over? Certainly not for the US economy. Broad money has continued to grow fast over the past 12 months, yet interest rates remain on hold. The housing market is roaring away, with mortgage applications at record levels. Household savings as a percentage of disposable income were at an all-time low in June of 0.2 per cent and threatening to turn negative.

Equally important, the Asian crisis appears to be redistributing growth within the economy rather than damping things down overall. Yesterday's payroll data, for example, showed that job losses in manufacturing were being offset by increased employment in the service sector. And the disinflationary impact of Asia remains benign, even if the trade implications are worrying for the external account.

Market behaviour is less predictable than that of the real economy. But unless the market bounces into a self-feeding sea of money, a negative wealth effect damps consumer confidence, there could be another bounce. The analysts may simply downgrade earnings forecasts in manufacturing and uprate those in services.

Yet as the economy throbs and the current account deficit widens, the risk of a rise in interest rates can only increase. At the end of a bull run, it is often the financial factors that precipitate the decisive change in the market's direction.

The search for the culprits

The president has pledged to find those responsible for the bombings. But the past record is poor, says **Gerry Baker**

At 5.30 yesterday morning, in what has become a grim ritual at the White House, President Bill Clinton was woken by an urgent phone call from his national security adviser. A solemn Sandy Berger still had only sketchy details, but he knew enough to be able to tell the president that, once again, US interests overseas had been the target of massive terrorist attacks.

A few hours later, as more information about the bombings at US embassies in Nairobi and Dar-es-Salaam flowed in, an especially stony-faced Mr Clinton appeared before reporters in the Rose Garden to perform another familiar part of the ritual.

He offered prayers for the victims of the "cowardly acts" and made a promise: "These acts of terrorist violence are abhorrent, they are inhuman. We will use all the means at our disposal to bring those responsible to justice, no matter what or how long it takes."

But as foreign policy, national security and law enforcement officials began scrambling to figure out how to make good on Mr Clinton's pledge, familiar doubts were already nagging in the US. The president's promises echoed those he and his predecessors had made after previous terrorist attacks. Yet in most cases success has proved elusive.

"The record so far has not been good," concedes Richard Haass, a former administration official and now at the Brookings Institution in Washington.

Two years ago, a huge truck bomb at a military base in Khobar, Saudi Arabia, killed 19 servicemen. In spite of strong suspicions of some Iranian complicity in the bombing, no one has yet been firmly connected with it. There has still not been any retribution for the 1993 bombing of a barracks in Beirut that killed 241 marines. And, although the US is moving tentatively towards agreement on a trial for the alleged perpetrators of the Downing of Pan Am Flight 103 over Lockerbie, they have yet to be brought to justice.

Those incidents stand in marked contrast to the one notable occasion when the US brought a definitive, if heavy-handed, response to a terrorist attack - the bombing of Libya in 1986, after US intelligence confirmed Libyan involvement in an attack on



No-go areas: A US marine guard moves a cameraman back from the site of the bombed US embassy in Nairobi. AP

US servicemen in Germany. "It has proved very hard either to bring people to justice in most of these cases or to retaliate because almost always you're not dealing with governments. If there is state involvement it's more likely to be indirect, through training or financing terrorists, and then it's hard to get international support to take action against them," says Mr Haass.

Furthermore, the task of tracking down terrorists seems likely

to get more complicated as the US builds bridges to states it has traditionally deemed pariahs.

"Things have definitely been improving with a number of those states and their more moderate leaderships, which is undoubtedly good news for the thrust of US foreign policy," says another former national security official. "But it's not at all clear that they are really able to exercise much control over their more extreme elements."

The US diplomatic, military

and law enforcement machine swung into action yesterday in response to the latest attacks. Transport aircraft left Germany for east Africa with emergency assistance. Madeleine Albright, the secretary of state, cut short a trip to Italy. And the FBI alerted its team of international terrorism experts to both Kenya and Tanzania.

The initial oral response was one of extreme caution. Mindful of the rush to flawed judgment after the Oklahoma City bombing

in 1995 and the explosion of TWA Flight 800 two years ago, policymakers and officials went out of their way to avoid pointing the finger at a Middle East connection.

But in the immediate fog of uncertainty, national security officials were already making a few tentative judgments. They discounted the possibility that the terrorism could have been a local act by political groups in Kenya or Tanzania. The two bombings seemed to have been too carefully co-ordinated - they occurred within minutes of one another in capitals 670km apart - to be explained by internal considerations.

"If it had been one incident, it might have been an isolated act of terrorism by some disgruntled group," points out one terrorism expert. "But two simultaneous attacks is more than a coincidence."

If it was a terrorist group from outside the region, who is most likely? National security experts doubt that proving a link to any of the states the US has described as "terrorist sponsoring" will be easy.

"When these things happen, you tend to look straight at the usual suspects," says the former official. "Iran, Libya, possibly Iraq. But in each case, the likelihood of direct government involvement seems remote."

The US has made considerable progress in improving diplomatic relations with Iran in recent months, with especially warm words from Mrs Albright. Even Libya, the most recalcitrant of anti-US states, has softened its tone recently, moving towards agreement on a trial for Libyan nationals accused of bombing Pan Am 103. And US intelligence experts believe Iraq is unlikely to risk complicating its already delicate political and diplomatic position with attacks such as yesterday's.

Instead, much attention was focused yesterday on "freelance" groups, which have made direct, credible threats against US targets in the past few months (see below).

Given the past failures to bring terrorists to justice, Mr Clinton will want an especially zealous response this time. But it was not clear yesterday that it would prove any easier now than in the past.

Where threats came from

Jihad is held responsible for the murder of Egyptian President Anwar Sadat in 1981. There is no evidence it was responsible for the bombings, but it is the sort of threat the US has been facing. Diplomats say it has the manpower, if not the financial muscle, to mount simultaneous attacks on US targets.

The other source of warnings has no such constraint. Osama Bin Laden is a 45-year-old former Saudi businessman who led the "Arab Afghans" - fighters in the Afghan war against the

Soviet Union. With a fortune estimated at \$200m, Mr Bin Laden is believed to finance and train Sunni extremists groups around the Arab world. His main objective is to drive US forces from Saudi Arabia.

Mr Bin Laden is a prime suspect in any attack on US targets. When a bomb exploded at the Saudi National Guard training centre in Riyadh in 1995, killing five Americans, the bombers claimed they were inspired by him. He was also suspected of links to the 1996

truck bombing in Dhahran, Saudi Arabia, in which 19 US servicemen died.

In June, Mr Bin Laden went on US television to warn of new attacks. "We believe the biggest terrorists on earth are the Americans. The only way for us to defend these assaults is by using similar means," he said. "We do not differentiate between those dressed in military uniforms and civilians."

Saudi sources say the link between Mr Bin Laden and Jihad is a joint declaration made in

February, which called for the killing of Americans.

As with many Islamist extremists, Mr Bin Laden has made many threats that come to nothing. He has never claimed responsibility for any attacks. But the US does take him seriously. Sandy Berger, the national security adviser, has said he may be the most dangerous non-state terrorist in the world. After the interview this summer, the State Department said it was stepping up security at embassies and sites in the Middle East and south Asia.

Roula Khalaf

LETTERS TO THE EDITOR

Human development lagging economic transition in central and eastern Europe

From Mr John Micklewright.

Sir, Anders Aslund argues that the drama of transition in central and eastern Europe and the former USSR is more or less over ("Post communist report card", August 5).

While this may be true of economic transformation in much of the region, the drama continues in other aspects of the transition vital to raising living standards. As the late Mahbub ul-Haq ("Pakistani economist dies", July 20) emphasised so forcefully, development is much more than growth of gross domestic product.

Countries singled out by Professor Aslund as achieving high

economic growth last year have not escaped changes that threaten human development - Estonia, Kyrgyzstan and Georgia. Divorces exceeded marriages in Estonia in 1995-96 and the proportion of infants in state-run children's homes has doubled during the transition. Male mortality among 40-50 year olds in Kyrgyzstan rose by a third during 1992-96 while enrolment rates have fallen substantially at every level of schooling.

Education has also suffered sharply in Georgia. Not only has the Georgian economy shrunk by two-thirds, but tax revenue as a per cent of GDP (only 5 per cent in 1995) has fallen far beyond a

reasonable level for a country that wishes to reduce the role of the public sector while maintaining basic provision of education, health and other social services.

The positive economic growth now taking place in most countries is encouraging, but the transformation of the region to reach higher levels of human development requires constant attention to many other aspects of social and economic change.

John Micklewright,
head of research,
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Beyond mere bagatelles

From Mr Claude Roessiger.

Sir, Re your leader "Low crimes and misdemeanours" (July 31). I predict that you will be embarrassed within the month. Your warm feelings towards President Bill Clinton have led you to portray his misdeeds as bagatelles. If these were limited to philandering, most Americans would probably agree with you.

But to believe this is wilfully to ignore a long list of potentially serious crimes, or have you not noticed the unusual number of persons close to Mr and Mrs Clinton who have been indicted on charges over the course of his administration? Association is not guilt, but too much association with the guilty is suspicious.

Claude Roessiger,
chairman,
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Mirror Lake, NH 03853, US

Forgotten law

From Mr David Read.

Sir, Re US opposition to establishment of the International Criminal Court ("Diplomats deliver judgment on new war crimes court", July 20). It seems ironic that the country that presumes to give the world lessons in democracy should have forgotten the most basic principle of the system; that all men, and nations, are equal before the law.

David Read,
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Wellington surely had the edge as a leader

From Mr G. Davies.

Sir, In his article on Nelson's management style (Weekend FT: "Leadership - fleets ahead of its time", August 1-2), Stephen Howarth rightly praises the great sailor's creative leadership, but I wonder if he has read a letter by another great sailor, Horatio Hornblower (quoted in C. Northcote Parkinson's biography), in which he compared Nelson with the Duke of Wellington, to whom he was related by marriage.

Of Nelson he wrote: "He was a great tactician and a born leader of men, not outstanding as a seaman... but an officer unequalled in battle. Having conceded all that I still look upon the duke as the greater man. For we in the navy had the easier task and for Lord Nelson it was easier than it

had been for his predecessor in command. The revolution in France deprived the French navy of all its best officers, leaving their ships' companies leaderless, untrained and filled with false notions about equality and fraternity. They were beaten at the outset and driven into their ports... Lord Nelson was lucky enough to be given the command of fleets which other men had prepared for battle, and which were to be led against enemy fleets which had never been exercised at sea... Nelson died at the moment when his fame was secure.

"The Duke of Wellington had no such advantages. His opponents were not discredited officers at the head of spiritless armies. They were victorious and

experienced officers whose troops had never been beaten. His own armies were composed of men whose previous service had been to withdraw, humiliate and retreat. It was Arthur Wellington's task to equip, train and inspire his men, gain the measure of his opponents and turn defeat into victory. His final antagonist was among the greatest generals who ever lived... Nor did the Duke fall at Waterloo but lived on to be the nation's leader and the sovereign's adviser in one crisis after another, always calm, always decided and nearly always right."

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PEOPLE IN THE NEWS ABBY COHEN and RALPH ACAMPORA

The market movers

John Authers on two Wall Street gurus who have captured investors' imagination

It may seem unusual at the end of a week when American blue-chip stocks suffered their worst falls of the year, but for many Wall Streeters the story of the week was that of two bulls: Abby, who continues to be a raging bull, and Ralph, the bull who became a bear.

"Abby" is Abby Joseph Cohen, co-chair of the investment committee of Goldman Sachs, one of the most powerful investment banks in New York. She has persistently and correctly predicted that markets would rise in the past few years, she continues to do so.

"Ralph" is Ralph Acampora, head of technical analysis at Prudential Securities, one of the largest retail brokerages in the US, whose words are listened to by an army of small investors.

Having been a bellowing bull for years, he astonished Wall Street by turning bearish this week.

He was interviewed live on CNBC television in the last half hour of trading on Tuesday. As he spoke, making clearer with each answer that he believed stocks were entering a "bear market" that would see the Dow fall between 45 per cent and 50 per cent from its high, a caption in the corner of the screen showed the Dow fall-

ing by about 100 points, it closed almost 300 points down for the day, the third largest point fall in a day.

Early next morning, Ms Cohen's latest market comment started to roll out of the fax machines. Following the falls, she believed stocks were undervalued, and backed her assertion with three pages of analysis. CNBC flashed the news across the bottom of the screen, and the market rallied perceptibly. Revealingly, the caption mentioned neither Goldman Sachs, nor Ms Cohen's last name. It was assumed that the audience would recognise her as just "Abby".

Both pundits had plainly exerted, if only briefly, a significant impact on the market at a critical time.

The importance of gurus is hardly new, although 24-hour business television channels have magnified and extended their impact. Previous dramatic turns in the market have also come to be associated with particular commentators who made the correct call when it counted.

The heroine of the 1980s, and particularly the Black Monday crash of October 1987, was Elaine Garzarelli, who at the time was head equity strategist at the now defunct Shearson Lehman

She predicted a fall in the Dow of more than 500 points in television interviews the week before it happened. She later correctly called the market's recovery, rejoicing for a while in the nickname of "Go-Go Garza".

In the 1970s, when US equities settled into a bear market, Henry Kaufman was the hero of the age. Chief economist at Salomon

Both pundits had exerted a significant impact on the market at a critical time

Brothers, then the dominant investment bank in the fixed income markets (rather as Goldman is in equities today), his consistently gloomy forecasts earned him the nickname of "Doctor Doom".

Ralph and Abby are their heirs in the 1990s. Why have these two captured the imagination, more than any of the dozens of other equity strategists who are paid to forecast Wall Street's next move?

An ability to express themselves in clear language is

important. Both Mr Acampora and Ms Cohen share a knack for expressing technical concepts with readily comprehensible metaphors.

Mr Acampora's metaphors tend to be more aggressive. Knowing his influence among small investors, he had often talked of the moment when he would have to "pull the trigger" and tell them to sell. He has also appeared in television commercials for Prudential's mutual funds, talking about the market. In June last year, when he predicted the Dow would reach 10,000 within 12 months - he was 700 points out - the report was entitled "Ten in Twelve".

Ms Cohen's metaphors are more homespun. When the Federal Reserve tightened monetary policy slightly last March, leading to a 9 per cent dip in the Dow and talk of a bear market, she likened it to a "thud shot" - painful at first, but ensuring greater strength in the long run.

Recently, she has used the analogy of buying a cardigan to explain market volatility. When stocks (or a cardigan) are selling cheaply, she says, investors (or shoppers) do not inspect the goods all that closely. If the cardigan is selling for a full price (and she argues that stocks were fully valued until this week's

fall), a buyer will check all the buttons much more carefully before buying. This, she says, explains why stocks are more prone to sharp falls as soon as any bad news is announced.

To be a guru, it is also important to be right. Following the remarkable rise of the US stock market in the 1990s, which has seen the Standard & Poor's 500 index increase threefold in seven years, only those who have been consistently and strongly bullish will remain at the top. There are other bulls, but none have been more consistent than Ms Cohen or Mr Acampora.

Both do extensive research and are taken seriously by fellow professionals, though Ms Cohen (whose comments are aimed mainly at institutional investors) perhaps commands greater respect than Mr Acampora, whose audience is the wider category of retail investors.

Some commentators branded Mr Acampora a "trend follower" this week. The suddenness of his change of heart - on Monday he had still been predicting the Dow would reach 10,000 by the end of the year - may damage his credibility. Others have also suggested that Goldman Sachs' forthcoming market notation, due next month,



has given Ms Cohen a large incentive to talk the market up.

Whoever is proved wrong after this week will see his or her importance wane. Ms Garzarelli, who went on to run a newsletter, is much less visible since turn-

ing bearish in July 1996.

Are the gurus as influential as they seem? Both this week's leading characters plainly helped to move the market on occasions. Giving investors a sense of direction at a time of volatility can be important.

But the words of Ms Garzarelli, asked in 1988 about her then-growing influence, still probably hold good: "There have been forecasters who have influenced the market for an hour or so. But the market will follow the fundamentals."

In a league of their own

The possibility of a European super league has received a hostile reception from soccer's governing bodies; writes Patrick Harverson



Sepp Blatter (right) and Gianni Agnelli (left) in the Champions League final

This week, in a rare display of unity from two of England's great sporting rivals, two leading soccer clubs, Manchester United and Arsenal, released identical statements confirming their involvement in talks about joining a break-away European super league.

Tomorrow, the two clubs will again be brought together, this time not so harmoniously, as they meet in London for the Charity Shield match, the traditional curtain-raiser to England's football season.

Charity, however, is not what a possible European super league is all about. Its main ingredients are money and power. And where those two elements combine in football, controversy is never far away.

Soccer's governing bodies - at national, European and world level - have all threatened severe sanctions against clubs that sign up to the new league. Uefa, the European governing body whose Champions League tournament risks being supplanted, is incensed.

In England, the reaction from the sport's authorities, the fans and the clubs not invited to join the league (Liverpool was the only other English club approached) has been extremely hostile.

It has been the same elsewhere in Europe where a handful of top clubs - such as AC Milan in Italy, Real Madrid in Spain and Ajax in the Netherlands - have been attacked for putting their own interests before those of the game. Newspapers and television stations across Europe have condemned the clubs and the Italian company behind the super league - for greed and duplicity.

Yet what exactly is the fuss all about?

The super league is the brainchild of Media Partners, a sports management company based in Milan. With the tacit support of some top Italian clubs - Rodolfo Piacenti, Media Partners' president, used to work for Silvio Berlusconi, the magnate who owns AC Milan soccer club - the company has put together a plan for an overhaul of European club competitions.

The heart of the proposal is a midweek league for between 16 and 22 elite

clubs. Crucially, at least half of the league's participants would have permanent membership by virtue of their size and status. That would guarantee them huge sums of money every season before a "half had" been kicked.

Details are sketchy, but the clubs would probably start on a minimum of £20m each, with perhaps twice or three times that amount available to the winner. That would make the super league worth far more to the top clubs than the current Champions League (which is a hybrid of league and knock-out competition). This can offer its winners only about £15m, and the rest much less.

For Europe's big clubs, with their massive wage bills for the players, permanent membership of a league with guaranteed large income flows is an enticing prospect. For clubs which are listed on stockmarkets, such as Manchester United and Ajax, the interests of shareholders dictate that

such a proposal be taken seriously.

The new set-up would bring other differences. The Champions League gets its money from free-air terrestrial broadcasters and from sponsors. Only two-thirds of the competition's income is redistributed to the clubs. In contrast, almost all of the money raised by the super league would go to the clubs. Revenue would come from the sale of live coverage to pay-per-view broadcasters, and from sponsors. Media Partners and its banking adviser J.P. Morgan have also lined up financing from unnamed equity partners to ensure the league meets its initial obligations to the clubs.

Whether the super league ever gets off the ground is another matter. Even if negotiations go smoothly, the competition would not start until the 2000-2001 season at the earliest. There are many hurdles to overcome.

Not least the opposition of Fifa, world soccer's governing body, Uefa, and most national associations.

Fifa and Uefa are opposed to the super league because it is anathema to them that clubs, rather than governing bodies, should organise any competition, let alone the world's most prestigious club event. Neither do they wish to relinquish power and control of the game's revenues to the big clubs.

The national associations worry that the super league would harm the credibility and popularity of their domestic competitions. They have threatened sanctions, including expulsion from domestic football.

But the clubs are confident they could win their argument where it matters most: in the courts. They say legal advice suggests they could overturn Uefa's self-proclaimed exclusive right to organise club competitions.

Another hurdle for the organisers is persuading enough clubs to join in order to make the league meaning-

ful. Not all are as enthusiastic as AC Milan.

German clubs are thought to be particularly cautious about a super league, discussion of which will be top of the agenda when German clubs meet this weekend in Düsseldorf. Getting agreement from 16 or so clubs in eight different countries will be a Herculean task.

There is an alternative. Some of the big clubs may be talking to Media Partners as a way of forcing Uefa into restructuring the Champions League more to their liking. Uefa has changed the competition's format several times to accommodate their wishes.

This week, with Media Partners breathing down its neck, Uefa has reassured the clubs of its willingness to consider their views. Yesterday, Gerhard Aigner, Uefa's general secretary, said there was plenty of time for "consultation and co-operation". There was, he said, "no need for any club to be pushed into signing an agreement which it might regret".

Uefa has even talked of unveiling its own "super league" proposal, likely to be a coupled-up version of the Champions League with more games and more money for the clubs. It will discuss this at its meeting in Lisbon in October.

But Uefa is unlikely to budge on the crucial issue of allowing permanent members into its league. The notion that teams must qualify for European competition on merit is sacred. Many people in the sport - fans, players and administrators alike - agree.

Yet this could be where Media Partners has the edge over Uefa in winning over the big clubs, who would like nothing better than a guarantee of lucrative European football year in year out. Media Partners would like to complete its negotiations with the clubs by early October when Uefa meets. By then, the company hopes to have signed up its members and be ready to present its final proposal.

At that point, the people who should matter most - the millions of fans whose enthusiasm, ticket purchases and television subscriptions determine any competition's success - will finally get a chance to see what the fuss is about. Unfortunately, by then it may be too late to have any say in the design.

Flower of Scotland loses its bloom

A spate of gloomy forecasts, says James Buxton, has confirmed fears that economic health was being overstated

Scotland's leading economic research body said last month it was very worried about the Scottish economy. Various official statistics and ministerial pronouncements, it suggested, might give the impression that an economic renaissance was under way.

That would be bad, said Strathclyde University's Fraser of Allan Institute, because no such miracle existed but, if people thought it did, other UK regions might argue that Scotland should not receive its present relatively high level of public spending. (Spending per head is 33 per cent higher in Scotland than in England.)

The Institute can stop worrying. In the past two weeks, lots of dismal figures have come out suggesting the Scottish economy is in a worse state even than the overall British one.

A report by the Bank of Scotland said Scottish companies had reported a sharp decline in manufacturing orders, output and employment in July. Mackay Consultants, an economic consultancy in Inverness, said there were parallels between the performance of the Scottish football team in the World Cup and the Scottish economy. "Both have been overrated and both have failed to deliver."

The latest monthly industrial survey by the Confederation of British Industry suggested manufacturers in Scotland were experiencing a sharper drop in optimism than those in the rest of the UK. Yet in Scotland much less attention has been devoted to the economy than to this week's controversial appointment of Gus Macdonald, former chairman of Scottish Media Group, owner of Scottish Television, to be Scotland's industry minister.

Last year manufacturing output in Scotland rose an impressive 7.7 per cent, compared with only 1.5 per cent in the UK as a whole. This reflected the continued suc-

cess of the largely foreign-owned electronics industry. But year-on-year figures for the first quarter of 1998 released this week showed the increase had fallen to a mere 0.1 per cent.

Although the closure of smokestack industries in the 1980s left Scotland with a manufacturing sector accounting for only 20 per cent of gross domestic product - slightly less than for the UK as a whole - Scottish manufacturing is biased towards exports, exporting 40 per cent more per head than the UK average. Its principal exports - electronics, whisky and textiles - are heavily affected by the strong pound.

In electronics the opening of Hyundai's large and half-complete semiconductor plant in Fife has been postponed indefinitely, casting a shadow over the industry.

In the drinks business, Andrew Dewar-Durie, chairman of the CBI in Scotland and of Allied Distillers, the whisky maker, had his own industry in mind when he talked of the strength of sterling and problems in the Far East having an adverse effect on Scottish manufacturing.

And in textiles, Dawson International is closing two factories and making 720 people redundant because of the collapse of export markets. These job losses have yet to feed through to the seasonally adjusted unemployment figure which, last month, was static at 5.7 per cent, compared with the UK average of 4.8 per cent.

On the other hand, there is little sign of a downturn in Scotland's services sector. Among Scotland's big cities, Edinburgh is the most vibrant, thanks to tourism and the continued expansion of fund management and the Scottish banks. With the arrival next year of the Scottish Parliament, prices for the smartest houses and flats are at unprecedented levels and there is a dearth of top quality office space.

His job is far more vital to the Labour government at a time when the Scottish National party is leading it in opinion polls. He has to rebut the SNP's arguments that independence would make Scotland better off.

So, what is fundamentally wrong with the Scottish economy? Its growth rate has been slightly below that of the south of England for the past two or three years, but that is the normal undramatic pattern. In the recession of the early 1980s Scotland outperformed southern England and unemployment dropped below the UK average for the first time. And Scotland remains remarkably successful in attracting inward investment; last year was a record.

In spite of these successes Scotland does not produce enough jobs to avoid a steady trickle of emigration, mostly to England, leaving the population roughly where it was in 1945, at about 5m. The volume of domestic investment is low and the rate of new company formation, though improving, still 30 per cent less than the UK's as a whole. Some think the two are related: many of the people most likely to create new businesses emigrate. Those left behind are, in the words of Euan Baird, Scots-born chairman of Schlumberger, the oil services group, imbued with "a Scottish culture that for too long has ruled making money is not nice".

If government expenditure can do any good, Scotland is at least assured of a steady growth over the next three years. The government will preserve the formula that determines that the Scottish parliament's budget will be above average for the UK.

But it is unrealistic to think that, as industry minister, Mr Macdonald can do much between now and Scottish parliamentary elections in May to ward off an economic downturn or make structural changes in the Scottish economy.

His job is far more vital to the Labour government at a time when the Scottish National party is leading it in opinion polls. He has to rebut the SNP's arguments that independence would make Scotland better off.

How the west is being lost

Gwen Robinson visits Kalgoorlie, a gold mining town that exemplifies the tensions in modern Australia

It is Sunday night and the "skimpies" are out in force. The scantily clad young women serving at the numerous pubs of Kalgoorlie, Australia's biggest gold-producing centre, are - along with her room - a staple of the town's nightlife. If they lose the flip of a AS2 coin, they lift up their tops and legs.

The authorities recently launched unprecedented efforts to clean up the town's "wild west" image, going so far as to arrest a skimpie for revealing too much. Police have even begun to fine people for jaywalking. Ron Yurjevich, the town mayor, says prosperity and stability have "tamed" Kalgoorlie. "We are now

multicultural... and our focus is on quality-of-life issues," he says.

That may be. But this week Kalgoorlie's rougher edges have been on display with more than 350 mining representatives in town for their annual "Diggers and Dealers" forum. The pubs are roaring. "It's almost like old times before this town started trying to be respectable," says one old local.

Respectability has not been a priority in Kalgoorlie, about 600km - and a world away - from Perth, the capital of Western Australia. The town's famous

Golden Mile once boasted the richest concentration of gold deposits in the world, the core of a region that has produced more than 2,000 tonnes of the yellow metal in its colourful history.

Kalgoorlie has experienced more than its fair share of boom-and-bust - riding high in the early 20th century, before languishing, only to be saved by the nickel boom of the late 1960s. The region became the world's biggest nickel producer. The town thrived despite impossible odds, pumping fuel and water through the vast desert and

trucking materials to remote mines and housing. When the nickel boom ran out in the mid-1970s, Kalgoorlie was saved again,

The authorities tried to clean up the town's 'wild west' image, arresting a skimpie for revealing too much

this time by the freeing up of international gold prices. As gold took off, Kalgoorlie grew with it and the small, independent miners were absorbed by larger opera-

tors. Today, the town is a strange mix of large companies, independent contractors, itinerant miners and a varied services indus-

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IEA sees no early end to oil glut

WEEK IN THE MARKETS

By Gary Mead

There was further gloom yesterday for crude oil producers, as the International Energy Agency said the global glut could get worse before it improves.

"It is difficult to foresee the excess stock overhang problem resolved until well into 1999 at the earliest... 1999 is likely to inherit an oil market heavily burdened with excess stocks, an unresolved Asian financial crisis [and] a delicate production agreement among Opec," said the IEA in its monthly Oil Market Report.

While inventories in OECD countries were 2.7bn barrels at the end of June, 200m more than a year earlier, the biggest cloud on the horizon is a possible further weakening in Asian demand.

The IEA forecasts demand in Asia will rise to 20.25m bbl/d in 1999, from 19.77m bbl/d in 1998, but with world demand increasing to 76.3m bbl/d from 74.7m in 1998. But without clear indications of strengthening Asian economies, such forecasts are built on sand.

On the International Petroleum Exchange in London, September-delivered Brent rose to \$12.75 a barrel in later trading, 12 cents higher than the previous close.

The Baltic Freight Index sailed into the second week of August down another 6 points, to 792, with pessimists in the dry cargo ship-broking business fearing that before the summer is out the all-time low of 554 points (in July-August 1998).

Oil price

Brent Blend spot (\$ per barrel)

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Source: Oilprice.com

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Source: Oilprice.com

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Source: Oilprice.com

1992 95 90 85 80

Source: Oilprice.com

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Source: Oilprice.com

1992 95 90 85 80

Source: Oilprice.com

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

IN ALUMINIUM, 99.7% PURE (5 per tonne)

Cash 1317.5-1318.5

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Precious Metals continued

IN GOLD COMEX (100 Troy oz; \$ per oz)

Aug 287.0 -0.8 287.4 288.0 316 1,620

Oct 287.4 -0.5 287.8 288.4 316 1,620

Dec 287.8 -0.2 288.2 288.8 316 1,620

Mar 288.2 -0.1 288.6 289.2 316 1,620

Jun 288.6 -0.1 289.0 289.6 316 1,620

Aug 289.0 -0.1 289.4 290.0 316 1,620

Oct 289.4 -0.1 289.8 290.4 316 1,620

Dec 289.8 -0.1 290.2 290.8 316 1,620

Mar 290.2 -0.1 290.6 291.2 316 1,620

Jun 290.6 -0.1 291.0 291.6 316 1,620

Aug 291.0 -0.1 291.4 2

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17/10/50

FT MANAGED FUNDS SERVICE

• FT Gaspine Unit Trust Prices are available over the telephone. Call the FT Gaspine Help Desk on (800 473) 833 4336 for more details.

City Frequency at which interest is credited to the

Offshore Funds and Insurances

* FT CitiLine Unit Trust Prices are available over the telephone. Call the FT CitiLine Help Desk on 1-44 171 823 4308 for more details.

FT MANAGED FUNDS SERVICE[illegible]

Offshore Insurances and Other Funds

1994

Q MANAGED FUNDS RATES

There are no prices under which offerings indicated that there would be a price increase in the near future.

There is no information on the following:

- 1. The amount of the offering.
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LONDON STOCK EXCHANGE

US jobs data pull Footsie back from brink

MARKETS REPORT

By Peter John

London's stock market looked into the abyss yesterday, poised for a sharp decline, and then stepped back from the edge.

The FTSE 100 index was off 5 points shortly after 9am when the pre-market index is calculated.

It slipped further over the next half hour, recovered and then fell again as dealers prepared to bat down the market.

Having survived one test on Thursday, when the Bank of England left interest rates on hold at 7.5 per cent, Footsie faced

another trial yesterday. Key US employment numbers, due around lunchtime, threatened to revive nervousness about the threat of inflation.

In a market acutely sensitive to any negative signals, even figures broadly in line could have sparked off some serious selling.

The FTSE 100 index, which arguably provides the most sensitive indicator of how investment institutions see the health of corporate Britain, hovered on the edge of one of the principal technical levels.

Over the previous two days it had briefly breached the 300-day moving average, a lagging indicator which historically offers solid

support and is used by chart-based analysts as a tool for long-term portfolio management.

If the market breaks below the average for any sustained period, it is considered an exceptionally bad sign.

But Ian Rankine, technical analyst from Durlacher, the private client stockbroker, said that the market just managed to stay above yesterday's average level. "Historically, the average is a good support level. The last time we hit it was October 1997 and the market bounced after that."

The exception is when the downturn has already begun. "If we are already in a bear market, prices will drop to well below

5,000," said David Schwartz, the stock market historian who has examined trends stretching back to 1919.

In the event, the US non-farm payroll data reflected the weakest growth for two and a half years. The figure for July showed a rise of 66,000 jobs. And although economists had predicted a reduced figure because of the long General Motors strike, investors in the US reacted with relief. The Dow Jones Industrial Average gained 100 points in the morning session.

It was the spark the UK market needed for recovery and throughout the afternoon share prices climbed steadily to hit a closing

gain of 83.3 to 5,690.4. Recovery filtered through to the FTSE 250 index, which rose 12.0 to 5,320.0. However, the SmallCap failed to join in and ended a net 0.2 lower at 2,413.1.

Economists were still pointing out that there were other big hurdles to come over the next few days. The latest inflation report is due on Wednesday.

At the same time, average earnings statistics for May are expected to show wages rising by 5.3 per cent annually.

Turnover of 28.9m shares yesterday was relatively strong for an August Friday and was evenly spread between Footsie and non-Footsie stocks.

FTSE All-Share Index

Turnover by volume (million)

Source: FTSE International Ltd

Indices and ratios

FTSE 100 Index

Closing index Aug 7

Change over week

Aug 6

Aug 5

Aug 4

Aug 3

High

Low

52-week high and low for week

1998

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Guinness	10.50
Heineken	10.50
Stout	10.50
Wine	10.50

BANKS, RETAIL

Barclays	10.50
HSBC	10.50
London	10.50
Midland	10.50

BREWERIES, PUBS & HOTELS

Beck's	10.50
Carlsberg	10.50
Heineken	10.50
Stout	10.50

BUILDING MATERIALS & MERCHANTS

British	10.50
Carlsberg	10.50
Heineken	10.50
Stout	10.50

CHEMICALS

British	10.50
Carlsberg	10.50
Heineken	10.50
Stout	10.50

CONSTRUCTION

British	10.50
Carlsberg	10.50
Heineken	10.50
Stout	10.50

CONSTRUCTION - Continued

Guinness	10.50
Heineken	10.50
Stout	10.50
Wine	10.50

DISTRIBUTORS

Barclays	10.50
HSBC	10.50
London	10.50
Midland	10.50

ENGINEERING - Continued

Beck's	10.50
Carlsberg	10.50
Heineken	10.50
Stout	10.50

ENGINEERING - Continued

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Heineken	10.50
Stout	10.50
Wine	10.50

FOOD PRODUCERS

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HSBC	10.50
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HITACHI INNOVATION. ONE THING ON THIS PAGE YOU CAN BE SURE OF.

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WHAT'S NEXT?

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BY TRUSTS SPLIT CAPITAL - Continued

Company	Price	Change
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OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT 100 or FT 250 indices.

Company	Price	Change
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INVESTMENT COMPANIES

Company	Price	Change
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LEISURE & HOTELS

Company	Price	Change
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LIFE ASSURANCE

Company	Price	Change
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MEDIA

Company	Price	Change
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MEDIA - Continued

Company	Price	Change
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OIL EXPLORATION & PRODUCTION

Company	Price	Change
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OIL INTEGRATED

Company	Price	Change
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OTHER FINANCIAL

Company	Price	Change
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PAPER, PACKAGING & PRINTING

Company	Price	Change
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PHARMACEUTICALS

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PROPERTY

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AN ISLAND SECURITIES APPROVED PLAN MANAGER AND IS REGULATED BY THE FCA AND THE FSA.

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SUPPORT SERVICES - Continued

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GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are published by the FT 100 and FT 250 indices.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Aug 7/US\$)

(S&P 500)

Dow Jones

NYSE

NASDAQ

AMEX

NYSE

NASDAQ

AMEX

NYSE

NASDAQ

AMEX

NYSE

NASDAQ

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EUROPE

Aug 7/£

DAX

FTSE 100

Euronext

Borsa di Milano

Borsa di Madrid

Borsa di Paris

Borsa di Amsterdam

Borsa di Frankfurt

Borsa di Zurich

Borsa di Vienna

Borsa di Athens

Borsa of Tel Aviv

Borsa of Seoul

Borsa of Tokyo

Borsa of Hong Kong

Borsa of Shanghai

Borsa of Beijing

Borsa of Singapore

Borsa of Jakarta

Borsa of Manila

Borsa of Cebu

Borsa of Colombo

Borsa of Dhaka

Borsa of Karachi

Borsa of Lahore

Borsa of Islamabad

Borsa of New Delhi

Borsa of Mumbai

Borsa of Bangalore

Borsa of Hyderabad

Borsa of Chennai

Borsa of Kolkata

Borsa of Pune

Borsa of Ahmedabad

Borsa of Surat

Borsa of Vadodra

Borsa of Gandhinagar

Borsa of Bopal

Borsa of Thane

Borsa of Mira-Bhayandar

Borsa of Navi Mumbai

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Small-caps and hi-techs lift Wall St

AMERICAS

US shares continued to rally, with technology and blue-chip shares pushing broadly higher and lifting the Dow Jones Industrial Average back near 8,700, writes John Labate in New York.

The Dow was up 108.94 or 1.3 per cent by early afternoon at 8,687.62. The Standard & Poor's 500 index climbed 11.09 to 1,100.72.

Technology and small-cap shares were in the lead for a second day. The Nasdaq composite surged 33.55 to 1,365.06 as investors snapped up a range of computer-related names from Internet to hardware producers.

But even more impressive were smaller caps, with the Russell 2000 index powering ahead 3.70 or 12.17 to 418.78.

In the semiconductor sector, Intel gained \$1.25 to \$38. After Lehman Brothers raised the stock to a "market performer", other chip stocks were strong, with Lattice Semiconductor up more than 9 per cent to \$23.75.

Third-quarter earnings would fall short of expectations. The sector, a weak market lately on rate concerns, firmed lower.

Toronto-Dominion led CNA at C\$25.50. The heavyweight gold sector was also dull, with Barrick down 26 cents at C\$25.15.

The combination proved too much for the 300 composite index, which was off 59.23 at 6,516.50 at noon in marked contrast to the powerful rally in the afternoon.

SAO PAULO moved lower in early trading as worries about currency weakness across Asia sparked selling. Telebras, down 1.6 per cent on Thursday, fell a further 1.3 per cent to R\$123.50.

At mid-session, the Bovespa index was off 106 or 1.1 per cent at 9,588.

MEXICO CITY also moved lower in limited trading volume. Telcel improved, adding 30 centavos to \$1.06 pesos, but the broad market moved down. The S&P index was down 21.51 at 4,003.94 at mid-session.

In the Dow, Boeing surged 5.8 per cent to \$24 to \$38. American Express also gained ground following Thursday's step sell-off, climbing \$1.10 to \$102.04 after Donaldson, Lufkin & Jenrette named the stock a "top pick".

Financials were again under pressure. Banks were heavily sold and the financial index gave up 2.1 per cent at 11,624.7. Industrials lost 1.3 per cent at 7,722.6, but golds gained 1.1 per cent at \$62.6 for a 3 per cent rally on the week.

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Hong Kong pushed lower by currency fears

ASIA PACIFIC

Battered by currency fears, HONG KONG extended its decline this week to 11.6 per cent, with the benchmark Hang Seng index ending off a further 235.55 at 7,018.41, down 2.3 per cent on the day.

Worries about the economy following this week's news of a 2.8 per cent contraction in first-quarter output spilled over viciously into the foreign exchanges, sending money markets rates steeply higher.

"Devaluation is firmly back on traders' agendas, but most people think it's a scare story rather than a real threat," said one broker. However, three-month interest rates ended the day at 12.75 per cent.

It proved a powerful signal for the sellers of equities. Market heavyweight HSBC fell HK\$6.50 to HK\$181.80 for a decline on the week of

almost 14 per cent. The red-chip index lost 3.1 per cent and H shares came off 2.6 per cent.

The Hang Seng is now well below half its level of year ago. The market peaked at 16,820.31 on August 7 in the wake of the buying spree that followed the handover of Hong Kong to China.

Renewed Asian jitters lopped FF101 of LVHM, which ended at FF1,111.11. Sturdy sales hoisted Pernod-Ricard FF29.90 or 8 per cent to FF40.05.

AMSTERDAM rallied with the turnaround in sentiment unimpaired by a strong gain at Royal Dutch Shell, which rose 5.9 per cent after Thursday's 7.8 per cent shakeout. The AEX index

ended up 16.47 at 1,179.39. Royal Dutch climbed F16.40 to F197.50 in 18.8m shares traded, helped by an upgrade by Goldman Sachs. The broker trimmed earnings forecasts in the wake of Thursday's weak second-quarter results, but lifted its recommendation to "market outperformer".

Unilever sank to F128.30 at first sight of disappointing interim figures, but recovered later in the session to

close off F129.00 at F133.50. Aegon gained F17.90 to F185.20.

ZURICH closed higher as shares rebounded from their recent weakness. The SMI index rose 0.73 or 1.4 per cent to 7,953.4, buoyed by railroads in index heavyweights.

Drugs group Roche gained SF39.00 to SF418.80 while Nestlé added SF26 to SF404.04, providing support to the overall market. Novartis gained SF29 to SF424.57.

Tag Heuer, the watch maker, rose SF10 or more than 8 per cent to SF133 on speculation that the Swatch Group could come up with a bid. Swatch gained SF17 to SF191.02.

MALDIB gained ground led by blue chips, and the general index rose 8.54 or nearly 1 per cent to 892.40.

Telefonica, the most active issue of the day, rose Pab200 to Pab400, while Endesa added Pab50 to Pab315. Argentina added Pab150 to Pab320 and Santander gained Pab20 to Pab107.

Telepizza fell Pab5 or 2.3 per cent to Pab190. Traders said the shares were depressed by portfolio adjustments by an international investment fund.

Reports that some Telepizza executives had recently left to join competitor Telechef also weighed on share prices.

MILAN took its cue from the rise on Wall Street and the Mibtel index rose 397 or 1.3 per cent to 2,382.5.

Eni, the most active issue of the day, gained L34 to L10,830, followed by Olivetti, which rose L14 to L9,915 on profit-taking as the share neared L4,000.

Compart, a holding company, was L26 higher at L1,078 on hopes that, as a close ally of Mediobanca, it would gain from the restructuring of some Italian banks.

Fiat rose L33 to L7,018, recovering from the day's loss of 100 shares by news that its July new car registrations had fallen 7.34 per cent.

A 5 per cent jump in Nokia lifted HELSINKI, and the HX index closed up 138.34 or 2.8 per cent to 5,121.29.

A recovery in US technology shares boosted the index heavyweight Nokia up F21.50 to F244.4. Telephone operator Tamperen Puhelin gained F101 to F1063.5, as Helsinki Puhelin raised its stake in the group.

Written and edited by Jeffrey Brown, Emilio Tarazona and Paul Grogan

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CHANGES ON THE WEEK

	% change
Jakarta	-12.1
Hong Kong	-11.6
Manila	-9.9
Kuala Lumpur	-9.7
Bangkok	-9.2
Seoul	-6.2
Wellington	-4.3
Sydney	-4.0
Tokyo	-3.4
Singapore	-2.4
Taipei	-1.7

at 1,225.30. Volume was a modest 370m shares. In Osaka, the OSE index gave up 48.19 to 16,998.

MANILA lost more than 2 per cent. The composite index fell 33.17 to 1,448.72, the lowest level since February 1993.

Blue chips led the declines. Manila Electric B shares lost 3 pesos or 3.2 per cent to 90.50 pesos, while Petron, the oil refiner, tum-

bled 5.7 per cent, falling 15 centavos to 2.50 pesos.

Property group Ayala Land closed unchanged at 9.50 pesos after falling 5.3 per cent during the day to a low of 9 pesos. C&P Homes, the housing developer, fell 5 centavos or 4.8 per cent to 97 centavos.

SINGAPORE was down in tandem with other markets in the region, with the Straits Times Industrials index losing 26.31 or 2.5 per cent to 1,039.27.

Comments by OUB president Pteer Seah of expectations of negative growth in the second half, added to the poor sentiment caused by the plunge in Hong Kong.

Singapore Press Holdings, which rallied on reports that it would distribute cash back to shareholders, lost ground on profit-taking. The shares closed 6 cents to \$21.30.

Newly listed Enersave Holdings was the most active issue of the day, retreating 9 cents to \$20.48.

KUALA LUMPUR ended off 10.73 or 2.9 per cent at 364.05 after touching a nine-year low of 358.72 earlier in the session.

The market was lifted in late trading by the announcement of a new conference by Anwar Ibrahim, the deputy prime minister. The conference gave details of new measures to aid financially strapped companies.

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CHANGES ON THE WEEK

	% change
Jakarta	-12.1
Hong Kong	-11.6
Manila	-9.9
Kuala Lumpur	-9.7
Bangkok	-9.2
Seoul	-6.2
Wellington	-4.3
Sydney	-4.0
Tokyo	-3.4
Singapore	-2.4
Taipei	-1.7

at 1,225.30. Volume was a modest 370m shares. In Osaka, the OSE index gave up 48.19 to 16,998.

MANILA lost more than 2 per cent. The composite index fell 33.17 to 1,448.72, the lowest level since February 1993.

Blue chips led the declines. Manila Electric B shares lost 3 pesos or 3.2 per cent to 90.50 pesos, while Petron, the oil refiner, tum-

bled 5.7 per cent, falling 15 centavos to 2.50 pesos.

Property group Ayala Land closed unchanged at 9.50 pesos after falling 5.3 per cent during the day to a low of 9 pesos. C&P Homes, the housing developer, fell 5 centavos or 4.8 per cent to 97 centavos.

SINGAPORE was down in tandem with other markets in the region, with the Straits Times Industrials index losing 26.31 or 2.5 per cent to 1,039.27.

Comments by OUB president Pteer Seah of expectations of negative growth in the second half, added to the poor sentiment caused by the plunge in Hong Kong.

Singapore Press Holdings, which rallied on reports that it would distribute cash back to shareholders, lost ground on profit-taking. The shares closed 6 cents to \$21.30.

Newly listed Enersave Holdings was the most active issue of the day, retreating 9 cents to \$20.48.

KUALA LUMPUR ended off 10.73 or 2.9 per cent at 364.05 after touching a nine-year low of 358.72 earlier in the session.

The market was lifted in late trading by the announcement of a new conference by Anwar Ibrahim, the deputy prime minister. The conference gave details of new measures to aid financially strapped companies.

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COMPANIES & FINANCE

NEWS DIGEST

SPORTSWEAR

Man United director to float vehicle on Aim

Michael Edelson, the Manchester United director who brought Sheffield United and Leicester City football clubs to the stock market through reverse takeovers, is floating another new company as an investment vehicle. The Wilmow Group, which owns the G2 and Quesser sports-wear brands, will be floated on Aim on Monday.

Mr Edelson, Wilmow's chairman, will be responsible for identifying and assessing target companies for the group. He said yesterday: "While I believe there is growth to be achieved in our core business, I am hopeful that other opportunities will present themselves in a variety of sectors for Wilmow to exploit."

Mr Edelson led the reverse takeover last year of Conrad, the sports-wear group, by Sheffield United, and in March this year, he floated the Hartford Group as an investment vehicle. He is in talks to take over the Pharmacy restaurant, part-owned by Damien Hirst, the artist, through Hartford.

Wilmow's shares will be priced at 2p each in a placing of 32 per cent of the shares, valuing the group at £2m (\$3.3m). Wilmow's four directors will own between them 17.4 per cent of the enlarged capital. Sheila Jones

PROPERTY

Berkeley to buy Thirstone

Berkeley Group, the housebuilding and property business, is to buy Thirstone Group, which specialises in building luxury homes and apartments predominantly in Surrey. The deal values the equity of Thirstone at £15m, and is to be funded by £4m cash with the balance covered by the issue of 1.87m shares. In addition, £10m of debt is being repaid and refinanced by Berkeley.

Thirstone is owned and managed by Tony Pidgeley, who will join the Berkeley board and become managing director of the group's Home Counties subsidiary, Berkeley Homes. He is the son of Berkeley's managing director and co-founder, also named Tony Pidgeley.

In the year to April 30, Thirstone sold 48 units at an average price of £440,000 and made an operating profit of £2.7m on turnover of £21.1m.

As at April 30 1998, it had a total book capital base of £13.1m comprising book net assets of £3m, private loan capital of £7.9m and bank debt of £2.2m.

Michelle Reynolds

Charge pushes Ward into red

A £12.5m exceptional charge pushed Ward Holdings, the Kent-based housebuilder, to a loss of £11.5m for the six months to April 30.

Dennis Ward, chairman, said that the charge for the carrying cost of land and work in progress followed "a detailed assessment" of their trading potential. Excluding the exceptional, profits were £989,000 (£2.02m) on turnover of £12.7m (£15.3m).

Ward's shares closed down 12p at 43½p.

IN BRIEF

BRITISH BORNEO has acquired interests offshore Mauritania in West Africa alongside Australia's Woodside Petroleum.

FIELD GROUP has bought Drukkerij Van Os, the Dutch pharmaceutical booklets and leaflets supplier, for £12m (£3.7m) cash.

GAUNTER HOLDINGS, the property investment company, has acquired five freehold properties with planning permission in London, SW5, for £9.25m from Gladheath. The company proposes to create 45 serviced apartments on the site.

GRAFTON GROUP'S subsidiary, British Dredging, has sold its 50 per cent joint venture interest in British Dredging Aggregates to RMC, the other partner, for £4.05m cash. The proceeds will be used by Grafton to refinance bank facilities.

HAZLEWOOD FOODS has completed its withdrawal from jam manufacture with the sale of its preserves business, Samuel Moore Foods, to F Duerr & Sons. The transaction involves the disposal of about £1.4m of net assets.

ILP GROUP has terminated the bid discussions resumed on July 13.

SUDIAR'S bid to buy computer company Radius has been accepted by shareholders holding 37 per cent of issued capital. The offer has been further extended to August 20.

Alders shares drop on warning

By Peggy Hollinger

Alders, the department store group, is considering returning up to £12m (\$20m) to shareholders through a share buy-back after a surprise profits warning yesterday knocked 37 per cent off its market value.

In a statement reflecting the general malaise which appears to have beset the UK retail sector, Harvey Lipsith, Alders' chief executive, said profits would be up to £4m below the market's expectations of £23m this year.

The warning comes just two months after the group assured the market that trading was in line with expectations. But Mr Lipsith said that from the beginning of June, a week after the interim results, trading had gone into reverse.

He blamed the cumulative effects of higher interest rates for causing Alders to go from a 5 per cent comparable sales increase in the first seven weeks of the second half, to a half percentage point decline in the past two months.

"It is now clear that six increases in interest rates have taken their toll of consumer confidence," he said. The downturn was most acute in the big ticket sectors such as televisions, audio and furniture.

The shares dropped 50½p to 138p. Mr Lipsith said at this level he believed the shares "looked to be a good investment" and the board was considering its options. It is possible Alders could launch a buy-back in the next six to eight weeks, before it enters its closed period.

Analysts were not surprised by news of a sharp downturn in durable sales. Weekly statistics from John Lewis, the rival department store group, showed significant declines in sales of audio and televisions from the middle of June.

But the scale of profit decline was unexpected. "Our concern is that there is more to this than merely a downturn in electricals," said one analyst. Another said it raised questions about Alders' strategy of developing home furniture and furnishings stores, at a time when the market was becoming more competitive and possibly slowing down.

Mr Lipsith said the slowdown during the peak sales period accounted for more than £1.2m in missed profit. In addition, the difficult trading environment had added £1.2m in losses and costs at the At Home stores. Revised expectations for a flat close to the year accounted for a further £1.2m lost profit.

ELECTRONIC AND ELECTRICAL EQUIPMENT DISPOSAL OF POISON PILL 'MAKES GROUP LOOK VULNERABLE'

Costly sale leaves Racial in the red

By Suzanne Vagle

Racial Electronics plunged £207.2m into the red last year after £233.5m of provisions and goodwill write-offs for shedding its loss-making data communications arm.

The deficit compared with profits of £60.4m previously. The group said it had obtained less money than it had hoped from the sale to Platinum Equity Holdings, the California-based venture capital group.

Racial will receive £12.5m (£7.5m) in cash when the deal is completed next month with up to £35m payable in royalties over the next 10 years.

Analysts said the division had been acting as a "poison pill" to prevent takeover bids. Now the sale was arranged, the group looked

vulnerable. "This should be a turning point," said one. "It should place increased focus on the value of the remaining assets."

Sir Ernest Harrison, chairman, said the security and payments operation of the data communications business would be kept. "When we came to the final bid there was not one offer which we considered to represent real value for shareholders," he said. The security and payments business - which made £3.9m before interest and tax - would be developed within Racial.

The plan to sell data communications was announced last December as Racial said it planned to float its telecommunications business. Yesterday, Sir Ernest said a flotation was still the pre-

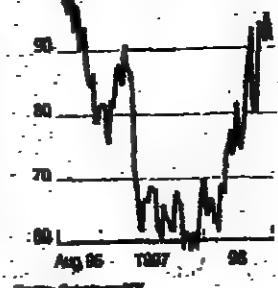
ferred option "at the right time". However, the group had had problems finding the right person to lead the spin-off business.

Group turnover for the year to March 31 fell from £1.9m to £1.1m. Operating profit dropped to £42m (£82.6m) after reorganisation costs of £4.7m (£3.3m) and a £50m loss from the discontinued operations. Losses per share were 77.2p, against earnings of 11.3p.

The shares fell 10p to 38½p.

Turnover from ongoing operations rose 11 per cent to £920.7m while operating profit was 8.6 per cent higher at £115.6m.

Racial Electronics
Share price relative to the FTSE 100 index



isation costs of £2.5m. A 38 per cent increase in revenue from the commercial, internet and international carrier markets had been largely offset by falling revenue from the National Lottery and transport customers.

David Elsbury, chief executive, said the National Lottery market was now mature and Racial was no longer benefiting from machine installation.

The radar and avionics business saw sales rise 7.3 per cent to £236.1m with operating profit of £23.3m (£24.3m) after reorganisation costs of £1.1m. The radio communication business lost £3.9m, against a £3.2m loss, on turnover down from £140.8m to £134m. The profit figure excluded reorganisation costs of £4m.

The industrial electronics business saw operating profit rise 65 per cent to £22.7m on turnover of £239.9m (£219.6m), excluding £2.1m of reorganisation costs.

Analysts are forecasting pre-tax profits for the year to March 31 1999 of £53m-£55m.

Rebranding buffs up Johnson

By Graham Malkin

Johnson Service Group, the dry-cleaning and textile rental business, said a rebranding programme was paying off earlier than expected, as it announced interim pre-tax profits up 29 per cent.

They rose from £3.61m to £11.1m for the 36 weeks to June 30 - excluding exceptional charges, the rise was 17.7 per cent. Turnover on continuing operations was up 4.9 per cent to £24.4m.

Richard Zerny, chief executive, said: "Despite what's happening to Sketchley [which sold its loss-making dry-cleaning business for just £1.23m last month], it shows it's possible to make a profit from a national dry cleaners."

Johnson's UK dry-cleaning business is now cash-generative for the first since 1986, when the rebranding started, a year ahead of schedule. The group now has 400 newly-designed outlets, with a further 180 awaiting rebranding.

Mr Zerny said: "Having got well down the programme, there's now a smaller capital cost per shop for the ones left."

The group's disposal of its US Rental business in February for £16.5m was followed by the acquisition of Connaught Court this month for £24.2m cash. It has retained its US dry-cleaning business.

Connaught is Ireland's largest textile rental company. Michael Sutton, finance director, said the textile business in the US was "small and needed a disproportionate amount of capital investment to make it competitive with local players".

An interim dividend of 3.3p, up 10 per cent, is payable from earnings per share of 14.5p (10.2p).

The shares advanced 7½p to 28½p.



Richard Zerny sitting comfortably

Sue Lynch

Mayflower confirms talks with Dennis

By Graham Malkin

Mayflower, the car and bus bodies maker which launched an unsuccessful bid for Vickers last year, confirmed yesterday it has been in talks with Dennis Group, the bus chassis manufacturer.

It said the talks began on July 31, the day after Dennis announced an agreed takeover by Henlys, another bus bodies maker.

Mayflower said it would be prepared to launch a possible cash offer for Dennis at 480p a share. "We are very keen to achieve a recommendation."

Under the earlier deal, Henlys would take over the smaller Dennis group, offering shareholders 44 new Henlys shares for every 100 Henlys shares closed down 61p at 82½p yesterday. At this price its offer stands at about 94p - 24 per cent less than Mayflower's proposal.

Dennis said it had noted Mayflower's announcement and that it would consider the proposal. Dennis closed at 469p, up 6p. Mayflower's shares lost 2p to 18p.

Henlys said there was compelling strategic logic to form an integrated bus maker with Dennis and that the merger "has been supported by both Dennis and Henlys shareholders and major institutions in presentations over the past four or five days".

However, Will Mackie, an analyst at Credit Lyonnais Securities Europe, said that Mayflower's manufacturing skills would "provide greater synergies than the merger of Dennis and Henlys".

Sandy Morris, an analyst with ABN Amro, said: "The Henlys-Dennis merger would have created a very powerful competitor [for Mayflower] and hitherto Mayflower and Henlys have been almost direct competitors slugging it out between them."

Mr Mackie said: "It looks to me like Dennis was vulnerable to a bid from Mayflower and has made a decision to get into bed with Henlys as a poison-pill approach to defence. Mayflower realised it had to make a move."

Filtronic shares leap following Nokia deal

By Suzanne Vagle

Shares in Filtronic rose more than 20 per cent yesterday after the telecommunications components company announced a deal strengthening its relationship with Nokia, the Finnish mobile telephone group.

Filtronic - which specialises in microwave technology used in mobile phone base stations - is buying LK Products from Nokia for £435,000 (£40m).

It will also issue 4m new shares to Nokia, giving the Finnish group a 7.5 per cent stake. Filtronic shares rose 88½p to 568½p yesterday.

LK's main products - filters and antennas for mobile phone handsets - are not part of Filtronic's core business. However, the acquisition was a necessary part of a deal to increase significantly the amount of business between the two companies, Filtronic said.

Professor David Rhodes, Filtronic's executive chairman, said talks between the two groups had been progressing for six months.

"We are going to have a lot of business with Nokia. We discussed it with them and they decided that if we acquired one of their companies it would provide the ideal vehicle to support them directly," he said.

Prof Rhodes said the deal meant that Nokia would become Filtronic's biggest single customer. The group has been steadily reducing its reliance on one big customer - Motorola - by building up trade with other telephone groups.

The deal is the second acquisition announced this week by Filtronic and the fifth since the start of the year. On Monday it strengthened its technology base with the £43m (£28m) acquisition of Litton Solid State, a US high-grade semiconductor company.

The LK acquisition will be funded by a US high-yield bond issue and the group is considering a share issue of no more than 10 per cent of its equity.

Last year LK reported pre-tax profits of £110.6m on turnover of £146.1m - which Filtronic said was abnormally high and was not expected to continue at that level.

Alliance & Leicester shows mortgage growth

By George Graham, Banking Editor

Alliance & Leicester, the former building society which floated on the stock market last year, yesterday surprised investors with a 29 per cent rise in first-half pre-tax profits to £229.8m.

The better-than-expected outcome still represented an increase of 13 per cent on the previous year if 1997's conversion costs of £28m were excluded.

Peter White, chief executive, said A&L had made progress in mortgages, personal banking and commercial banking, and looked forward to 18 months of organic growth.

"If we have a recession we have got a fair amount of cash for buying up some of these things out there," he said, while denying that he was working on a merger with rival Woolwich. "It's logical but not true."

Mr White made clear he had not intended to launch a share buy-back. "Return-

ing cash to shareholders is not out of the question but it isn't a route I see myself taking. It would seem to be a bit unimaginative."

A&L's capital base of £1.7m is £70m more than it would need to maintain a conservative Tier 1 capital adequacy ratio of 8 per cent. By the bank's own calculations, this excess depressed return on capital in the first half by 10 percentage points to 18.5 per cent.

Unlike the other former building societies which joined it on the stock market last year, A&L succeeded in holding on to market share in its core mortgage business.

Gross mortgage lending of £1.79m in the first half to June 30, coupled with low redemptions, left the bank with a 3.5 per cent share of net new lending, compared with its historic share of 4 per cent.

Net margins in the mortgage business fell only slightly from 1.98 per cent a year earlier to 1.86 per cent,

and the division cut its cost-income ratio to 40 per cent, excluding Year 2000 costs. Mr White said he had set a target of 35 per cent for next year: "If I say I'm going to do it, there'll be a bloody good reason if I don't."

The interim dividend rises 25 per cent to 8p, on earnings of 27.3p, up from 19.4p, or 33.5p after stripping out conversion costs.

Comment

● The figures are slightly flattered by a commercial debt recovery, but also reflect real progress on costs. Thanks to the Giro-bank acquisition, A&L shows some of the diversification of earnings achieved by Abbey National. Unlike Abbey or Halifax, however, it has managed to hold its ground in its core mortgage market. With forecasts upped to £461m (£355m) for the full year, yesterday's rise to 88½p leaves the shares close to 16 times 1998 earnings, with only limited upside.

Heywood Williams in windscreen sale

Heywood Williams is selling its Auto Windscreens division to Inboco 788, an HSBC Private Equity-financed vehicle, for £77.2m.

The group said it wanted to focus on its core PVCu window and door products businesses in the UK, and on manufactured housing and recreational vehicle components in the US.

Auto Windscreens employs 1,500 people and its last year reported operating profits of £4.1m on turnover

of £78.1m. Its management will have a small stake in the company, according to Heywood Williams.

Ralph Hinchliffe, executive chairman, said: "The sale of Auto Windscreens leaves the group totally focused on its building products activities."

Heywood Williams, which was advised by Deutsche Bank, said the sale proceeds would more than offset its borrowings after £58m of acquisitions in April.

Ocean continues US expansion

By Jean Marshall

Net assets were £1.75m.

The deal follows last week's announcement of an alliance with Caliber Logistics, the US road distribution specialist, and marks a further step in Ocean's plan to establish a presence in the US. John Allen, Ocean's chief executive, said: "One of our key objectives has been to secure a domestic logistics capability in the US, to complement our strong international airfreight forwarding business."

The deal follows last week's announcement of an alliance with Caliber Logistics, the US road distribution specialist, and marks a further step in Ocean's plan to establish a presence in the US. John Allen, Ocean's chief executive, said: "One of our key objectives has been to secure a domestic logistics capability in the US, to complement our strong international airfreight forwarding business."

Bulmer expands brand menagerie

By Michelle Reynolds

International expansion will see the addition of a woodchuck to BP Bulmer's brand menagerie, following the UK cidermaker's £14.4m (£8.7m) acquisition of the Vermont-based Green Mountain Ciderery.

Bulmer, the UK market leader, has a 9 per cent share of the US cider market through its Woodpecker and Strongbow brands, while Woodchuck has a 17 per cent market share.

Mike Hughes, chief executive, said: "This acquisition creates a step change in Bulmer's presence in the fast-growing cider segment of the US long alcoholic drinks market."

Bulmer has targeted overseas expansion against the backdrop of a fiercely competitive and struggling UK cider market.

Mr Hughes said: "We are

committed to expanding our international business which, with brand distribution in over 50 countries and manufacturing operations in Europe and Australia, currently accounts for more than 30 per cent of group profit."

In 1997, Green Mountain Cider made operating profits of £134,000 on turnover of £7.84m and had assets of £3.08m. Unaudited profit for the first half of 1998 was in excess of £1m on turnover of £4.4m.

Bulmer is to invest heavily in the operations and brands, resulting in a "marginal dilution" of earnings in the first two years.

It markets its existing brands in the US through the Guinness Bass Import Company and these distribution arrangements will be unaffected by the acquisition.

The shares rose 2p to 36½p.

Markets next week

■ **MONDAY:** In the UK, producer input prices are expected to show an annual fall of 8.5 per cent to July, a slowing from the 8.7 per cent annual fall to June. Output figures are expected to show an annual rise of 0.8 per cent, which is also a slowing from the 1 per cent annual rise to June.

■ **WEDNESDAY:** The Bank of England releases the minutes of the July meeting of the monetary policy committee, which decided to leave interest rates

unchanged. It also releases its August inflation report, which the markets will analyse for reaction to the government's public spending plans.

Average earnings figures are expected to show an annual rise of 5.3 per cent, a slowing from the 5.4 per cent annual rise to April.

Unemployment is expected to have risen by 700, the same figure as June, as the economy continues to slow.

RESULTS

		Revenue (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
NAV index	18 mths to June 30*	42.3	(55.4)	1.46p	(1.93p)	0.18	(0.24p)	11.4	11.4
Admiral Lender	6 mths to June 30*	22.9	(29.9)	0.77p	(1.00p)	0.18	(0.24p)	11.4	11.4
Admiral (John)	Yr to Feb 28	7.77	(11.3)	1.52p	(0.72p)	13.2p	(5.8p)	11.4	11.4
Admiral Services	6 mths to June 27	23.1	(35.1)	1.14p	(0.51p)	14.47	(10.22)	2.3	11.4
Admiral	9 mths to June 30	39.8	(65.1)	1.46	(1.92p)	2.84	(2.78)	1.1	11.4
Admiral	Yr to Mar 31	13.44	(7.18)	2.07p	(0.44p)	77.27	(11.3)	3.9p	11.4
Admiral	Yr to June 30	13.9	(18.3)	1.05p	(0.24p)	6.3p	(20.8p)	11.4	11.4
Admiral	6 mths to June 30	14.60	(11.08)	1.47p	(0.89p)	11.5	(7.55p)	2.8	11.4
Admiral Holdings	6 months to Apr 30	12.7	(16.3)	11.5p	(2.02)	20.8p	(2.7)	0.6	11.4



Finished Fuentes

'What I write after this will be left to my wife as a legacy, like a few old Bonnard or Van Goghs'



Fat of the land

'I love butter. I do. I am thinking of starting a campaign against its abuse and neglect'



At the crease

'Most of us need to transport our clothes, and we don't have the time or inclination to iron them when we arrive'

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The caged bird's song

When Simon Buckby went to jail, he prayed for a door with a lock on the inside – and found that 'doing time' means more than losing your liberty

If you have ever thought of doing anything which might land you in jail, think again.

It's not just the loss of liberty. Or the food. It's the fear. A shivering fear of violence washing over the skin is ever present in prison.

If you are ever sent down, make three wishes. First, that you are thrown in a modern cell, with locks on the inside as well as out, so you can hole yourself up against the threat of attack and robbery when convicts are allowed on to the wing.

Second, that you are in an old-fashioned prison, designed with wings running like spokes from a central vantage point, so that during your few passes to the food hatch other prisoners cannot drag you out of view of the officers.

Third, if you are given a seven-day sentence – typical for non-payment of fines and other minor offences – pray that you are convicted on a Thursday.

Half the time can be absorbed in remission and not served, and because prisoners release those who have done their porridge first thing on weekday mornings but never over weekends, you will be freed early the following day without meeting another inmate.

This is what happened to Matthew Simmons, the man convicted for yelling racist abuse which provoked Eric Cantona into a kung-fu attack against him.

I hope you never need to apply these tips. I picked them up minutes after being thrown inside – all in the "method" school of journalism, you understand.

Soon after joining the Financial Times last year, articles about the shortcomings of the Prison Service, I bumped into its director-general, Richard Tilt. He asked in a rather knowing way if I had ever spent time in jail. When I admitted I had not, he suggested I should, to "get a feel for what it's really like". It would be his, as well as Her Majesty's, pleasure to arrange it, so I volunteered to spend a few days inside.

There was a worrying fictional precedent in the 1980s Fritz Lang film *Beyond A Reasonable Doubt*, Dana Andrews played a writer

who, with the collaboration of a newspaper publisher, falsely implicated himself as a murderer to show how easily circumstantial evidence could lead to a miscarriage of justice. After he was duly convicted, the publisher was coincidentally killed leaving no means of proving his innocence. The writer was put on death row.

In a final twist, just before being strapped into the electric chair, the prison authorities revealed they knew all along he was innocent but wanted him to appreciate what it really felt like to be in the shoes of a murderer. For me, the moral of this story was clear: let everyone know I was an innocent, far from fearless, reporter.

I asked an inmate what he most wanted to improve life. He said a lamp by which to read

My intention was to compare two very different establishments: one a modern, well-resourced, liberal environment; the other, an ancient, underfunded, strict system.

Armley jail in Leeds, which has just celebrated its 150th anniversary, is known as a "dispersal" prison. Far exceeding capacity, it currently holds 1,200 men, mostly remand, short-sentence, and recently-convicted prisoners awaiting transfer to higher-security arrangements. The outside looks like a cartoon haunted house, a series of shadowy tunnels high on a hill.

New convicts are frog-marched from the cells-on-wheels which brought them from court, past a barricade of guards with dogs, through the main gate and, clink, inside.

Possessions and dignity are, literally and immediately, stripped away. I was issued with the standard uniform of blue-and-white striped shirt, prison-made jeans, and sneakers which had been worn by another inmate only the day before.

Even though I had just been hosed down, I felt uncomfortably unclean.

Then followed the long, escorted march deep into the cavern of the jail, along a maze of austere concrete corridors and across several courtyards, leaving no sense of direction. The countless iron gates and doors were opened by an officer, with an outstretched ring and keys strapped to his body, only after he had been given the all-clear by an officer on the other side.

I stepped on to a wing which could have been the set from Ronnie Barker's television series, *Porridge*. Half a dozen officers stood at one end, facing a tunnel lined with 20 grey doors on each side, three stories high, with balconies separated by netting to prevent missiles being thrown from above.

On each door were A-sized panels giving the name, offence, length of sentence and time left to serve of each inmate. Several doors had two, some even three, such panels. A large 'E' felt-tipped over a panel indicated that the prisoner had tried to escape.

Many of the ground-floor doors were open: it was "assembly". For a couple of hours each morning and afternoon, 70 or so inmates – from one floor at a time – are allowed to roam their spartan wing. These were not the lovable rogues, Fletcher and Godber, from the TV sitcom. These were members of the Underclass, portrayed so frighteningly in Gary Oldman's film, *Nine ½ Weeks*.

Whether they are in prison for punishment or rehabilitation is an important debate for public policy theorists. But my immediate concern, and the constant headache for Richard Tilt, was: how does a handful of officers maintain control over 200 caged men, many convicted of vicious crimes?

The answer is good personal relations between jailer and captive, and a simple system of carrots and sticks. New prisoners are put on a "standard" regime. Well-behaved inmates earn "enhanced" status, with privileges such as cushions for their wooden seats. Others can lose those seats altogether if demoted to a "basic" regime, even sitting into 24-hour-a-day solitary



confinement or padded cell.

On this standard regime, I met a man in his late 20s who had served nine years of his life sentence for murder. He asked me what he most wanted to improve his life inside, thinking he would call for alcohol or regular sex, but he said he wanted a lamp by which to read.

That remark captures the atrophy of boredom and isolation of life in prison. In the outside world, most of us complain at having too much to do in too little time. In prison, time passes painfully slowly, and all there is to do seems insane. Everyone knows that old hags smoke roll-ups, because they go further, but I didn't realise they also spit matches into four, to make them last longer and to kill time.

Making knives or other weapons, and smuggling drugs, are commonplace. Of course, this is partly a reflection of criminal life, but it is also a way to get one over on authority. This proved to be the main pastime of prisoners, in the pursuit of which they are endlessly patient. One told me that when he first arrived he refused to button his shirt to the neck, and noticed the officers let him get away with this small act of rebellion.

After six months, he started to leave the top two buttons open, and 12 months later three. He explained that having been in prison for many years, with the officers grown accustomed to him, it was his proudest achievement that he could now occasionally walk 'his wing' without a shirt.

Leeds jail is a harsh place. The internal brickwork is exposed, giving it a raw feel. The more liberal conditions

at Garth, near Leyland in Lancashire, seem as much part of the infrastructure as the freshly painted walls and modern facilities. One of the last to be built with public money, it opened in 1986 as a Category B prison, holding many known and members of organised drug gangs.

Just two years ago, Leeds became the last prison in the country to end the practice of "slopping out" – prisoners removing their own lavatory waste. At Garth, the enhanced regime has pool tables on the wing and televisions in the cells. Keeping prisoners content tangibly helps reduce tension and maintain order.

After my ordeal, I was shown a governor's-eye-view of the jail. At Garth I saw the chapel, library, vast

Repeat offenders have to see relatives from an enclosed booth, behind a glass screen

Kitchens, well-equipped gymnasiums and factories where inmates work for an average of £7.50 a week. In Leeds, I was taken to the psychiatric wards, where, in a macabre spectacle, four nurses worked a 24-hour rota to stare through an iron gate at a prisoner they believed to be suicidal.

Convicted prisoners are allowed about one 50-minute visit a month. Up to three outsiders per inmate file into

a large hall, and sit at chains bolted to the floor.

Although visitors are searched on their way in, and prisoners on their way back to the cells, this is where most drugs enter prison. The CCTV video recordings reveal that welcoming drugs frequently shield a friend's hand into a prisoner's trousers and concealing a small packet.

The few who are caught have their visits further rationed. Repeat offenders have to see their relatives from an enclosed booth, behind a glass screen, communicating by telephone.

Regular drug-testing in jails has shown the full extent of the problem. Other technology is starting to expose the extraordinary deviousness of human beings who have nothing to do with their time.

I was shown a computer plan of Garth, a lay-out of each of the 600 cells in the prison.

A push of a button coloured the cells of all those who had tested positive for heroin – they were in a row. Another button categorised prisoners by ethnic origin – the Asians all had cells near each other, so did the Afro-Caribbeans. I was informed that many of those on the all-white wing were racists. The next screen showed all the homosexuals had cells side by side, and another that criminals from gangs in Manchester or Liverpool had congregated.

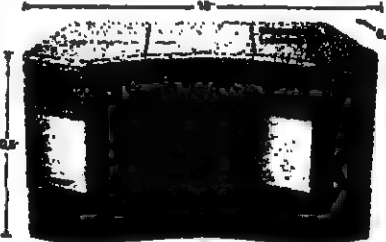
Even though cells are always allocated and never selected, months and years of bawling, bullying and bribing had led friends to end up near each other without the officers on the wings even noticing.

This amazing ingenuity mixed with an appalling capacity for violence, in men with nothing but time on their hands, is how I remember prison life. And Richard Tilt knows that the devil makes work. He, along with governors and officers at the sharp end, are constantly managing an inflammatory cocktail that could go off in their faces at any moment.

The prison system is overcrowded and long-term funding shortages have scythed down the hours prisoners spend in useful activity. I guess Richard Tilt got what he wanted out of my time inside: respect is due.

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Joe Rogaly
Permanently poor

'Britain's big-government schemes, such as welfare, cannot reach everyone'

Page III

NEXT WEEK
Chips go crazy

'Every supermarket product thought it was a desiccated fungus from northern Umbria'

In FT Weekend

PERSPECTIVES

Minding Your Own Business

Organic growth from vegetables

Tom Linton meets a farmer who is benefiting from his principles

Guy Watson worked on his family farm in Devon, which was rented from the Church Commissioners, for a couple of years after studying agriculture at Oxford. He was one of four siblings sharing the tasks involved in running a mixed dairy and arable farm. But he hankered for a measure of independence.

He found it by doing a two-year spell in management consultancy in London and New York. "I think they took me on simply because I had a first in agriculture and forestry sciences - they quite liked oddballs." But even though he found the work mentally stimulating, he tired of working in an office and on his return to the family farm decided to experiment by allocating three acres to growing organic vegetables.

That was 12 years ago. Today, 250 of the 800-acre farm are down to vegetables, which Watson runs as a separate enterprise. One brother runs a Friesian herd and free-range hens on the rest of the farm, another brother runs the farm shop, and their sister looks after the young stock.

Watson, 38, now a committed organic farmer, admits: "Although there is a premium on organic vegetables, they cost more to grow than those conventionally produced and it's easy to lose

all the premium in marketing and distribution."

His farm is at Buckfastleigh on the edge of Dartmoor - an area, he says, where demand for organic produce is strong. "You really don't have to go out selling. I started with labour-intensive crops and sold them to small shops. I grew things like spinach, leeks, courgettes and strawberries, which carry a real premium if they are fresh."

The response was so good that the following year he grew 15 acres, and continued expanding the acreage by buying land out of profits. Today, Riverford Organic Vegetables has a turnover of just over £1.1m and Watson claims to be the largest independent organic producer in Britain. "The last three or four years have been very profitable," he says.

Organic producers probably face more handicaps than conventional growers. Crops that are not fed with agro-chemicals or sprayed with herbicides and insecticides usually yield less than those that are. Because most organic producers operate in a small way, distribution costs are higher.

Watson, who is accredited by the Soil Association, is so concerned to maintain the integrity of his organic produce that he recently fought - and lost - a High Court action to halt trials of genetically modified maize in a field next to his farm.



Guy Watson: labour represents by far the highest proportion of costs; he can easily spend £22,000 a year on weeding

"This case has introduced an element of doubt about the wholesomeness of organic food and, to that extent, it has damaged my business," he points out. Watson received financial support in his action from Friends of the Earth and the Soil Association, but estimates that he will have to pay about 10 per cent of the costs of going to court of about £20,000. Sympathetic lawyers reduced their fees and members of the public sent donations, including two of £1,000 each.

Labour represents by far the highest proportion of Watson's costs. He can easily spend £22,000 a year on manual weed control. Weeding his 10 acres of carrots costs between £100 and £500 an acre, depending on prevailing growing conditions.

"We harvest carrots by hand - that costs £1,000 an acre. However, for potatoes we use contractors because it is cheaper. They do the seed-bed preparation, planting and harvesting, but we do the weeding ourselves."

He employs 30 people full-time, plus another 40 or so seasonal workers. Although supermarkets and retailers had been keen purchasers, by the early 1990s orders began to dry up as recession hit consumers' pockets. So, four years ago, Watson decided to gain greater independence from supplying wholesale and decided to try selling boxes of vegetables direct to households, local greengrocers and health food shops.

The scheme took off and now accounts for 35 per cent of his business, with another

5 per cent going to other retailers' trade in boxed vegetables. About 250 boxes a week are sent to London along with two or three lorry-loads of bulk vegetables destined for wholesalers. Packets take 15 per cent, the big multiple stores Marks and Spencer, Tesco, Sainsbury and Waitrose - take 15 per cent, and 25 per cent goes to local shops.

The boxes are sold in three different sizes: 25, 57 and 93. For those delivered to the door, there is a small additional charge. Otherwise, customers can collect from a picking-up point. He sells 1,600 boxes a week, and the cheapest contain a minimum of eight types of vegetable. He tries to vary the contents, especially in the winter, but all contain potatoes and some type of brassica.

With 80 or so different items grown during the year, in summer the variety is great. In the winter, he imports a small amount of foreign organic produce to make up. Watson is experimenting with ways of introducing choice. "But that would increase our costs. We may have to offer the option of a basic box with very good value or a choice system that has to be paid for."

The returnable boxes - for which customers are not charged - cost him about 70p each and last for about six journeys.

Because some rather exotic vegetables are included, Riverford offers a recipe book to new customers. In an attempt to build a wider base for his door-to-door box sales, Watson

offers incentives to a hotch-potch of private distributors and organisers, but is now considering franchising distributors and giving them more support by helping with business plans.

Watson has never had to seek long-term finance and has experienced no difficulty in obtaining overdraft facilities. "We have always been able to fund expansion from cash generated within the Riverford business," he says.

"We don't spend on advertising. Instead, we promote the business through farm walks and by holding open days and showing schools round."

Watson believes that his prices will eventually come down as he increases efficiency and gains economies of scale. To that end, he recently agreed a co-operative venture with 10 local

farmers who are seeking accreditation by the Soil Association, whose standards and symbol are generally accepted by the trade.

Eventually, a further 150 acres of organic produce will be grown on these farms under Riverford's management, making a total of more than 400 acres. It will enable them to share machinery, technical advice, and storage, grading and packing facilities.

In time, he sees the co-operative selling organically produced lamb, beef, cheese and wine, as well as the eggs Riverford already sells. Enough, surely, to feed his growing family aged eight, five, two and one week.

Riverford Organic Vegetables, Wash Barn, Buckfastleigh, Devon TQ11 6LD; tel: 01393 762720.

Psychologists know what makes newspaper readers tick. The first edition of the American Psychological Association's journal on the Internet, *Prevention & Treatment*, is a classic example of an attempt to launch a new title with an item guaranteed to cause controversy.

The article raises the possibility that the apparent potency of antidepressant drugs such as Prozac may be due to psychological factors, rather than their specific effects on chemicals in the brain. In other words, the value of the drugs may be all in the mind.

Irving Kirsch, of the University of Connecticut, and Guy Sapirstein, of Westwood Lodge Hospital, Massachusetts, have published findings that could affect approaches to the treatment of one of the western world's most common disorders. Substantial studies in the US and western Europe indicate that almost one-fifth of the population experience some form of clinical depression, although this could be an underestimate. The European study suggests the condition is twice as common in women as in men.

Kirsch and Sapirstein's conclu-

The Nature of Things Playing those mind games again

The effects of antidepressants may be all in the mind. But Michael Peel finds different opinions

sions have not gone uncontested. The work is reviewed in the same edition of *Prevention & Treatment* by Donald Klein, a psychiatrist at Columbia University, who shares the cautious and respectful language that scientists usually employ when they review each other's work.

The study, he says, is a "trenchant example of a tendentious article whose departure from any critical standard has (sic) not precluded publication and has been foisted on an unsuspecting audience as a 'peer reviewed' contribution to the literature."

There is a hint of mischief about the journal's decision to publish such a provocative study. The periodical's forerunner, *Treatment*, was set up by the Psychological Association and the American Psychiatric Association as a forum for debate about the relative merits



of drugs and psychotherapy as treatments for mental illness. The venture lasted one issue before a bitter split between the two partners last December.

The latest dispute has once more focused attention on disagreements within the mental health profession over the effectiveness of drugs in combating depression.

Drugs have both a physiological and a psychological effect: people recover partly as a result of the chemical effects of the treatment they are taking, and partly because they expect the remedy to help them get better. The point in dispute is the relative importance of the two in contributing to recovery.

Some psychiatrists argue that drugs have a sufficiently important physiological effect to make them an essential part of the treatment in almost all cases of depression. "I personally believe psychological treatments are a useful adjunct (to drug-based methods)," says Stuart Montgomery, a professor of psychiatry at Imperial College School of

medicine. "But with the best will in the world, it's hard to see how they can compete with drugs."

Many psychologists, on the other hand, tend to favour the use of drugs only to counter more severe depression and to treat conditions that have a clear psychological cause, such as schizophrenia and behavioural disorders. Stephen Palmer, a senior clinical and research fellow at City University department of psychology, says: "Normally if I see someone with mild to moderate anxiety and depression I would rather see them have cognitive behaviour therapy because there is probably no need for them to use drugs."

Kirsch and Sapirstein tried to resolve this disagreement by using a statistical technique called meta-analysis to combine results mathematically from 19 previous studies of drug effectiveness. Their "confident" esti-

mate from the data is that inert placebo medication is about 75 per cent as effective as the active drugs.

They go on to question whether the remaining difference is due to the direct chemical action of the active drugs, or merely because of an "enhanced placebo effect", stemming from the fact that those taking the dummy remedy do not experience the same side-effects as those on the active preparation. The effect of the discrepancy, they argue, is that patients taking the active drug have a higher expectation of recovery, meaning that they are more likely to get better.

To Hugh Koch, a chartered clinical psychologist, this is an interestingly novel argument that could lead to a reassessment of the value of drugs in treating depression. "I have worked in the area for 30 years and this is

a relatively new issue," he says. "It's taking away a little bit of the power of antidepressants."

Others find the scope of Kirsch and Sapirstein's work too narrow to justify the conclusions they draw. "They haven't analysed a lot of trials and they have analysed general practice trials, which are a rather ill-defined group," says Charles Marsden, professor of neuropsychology at Nottingham University medical school.

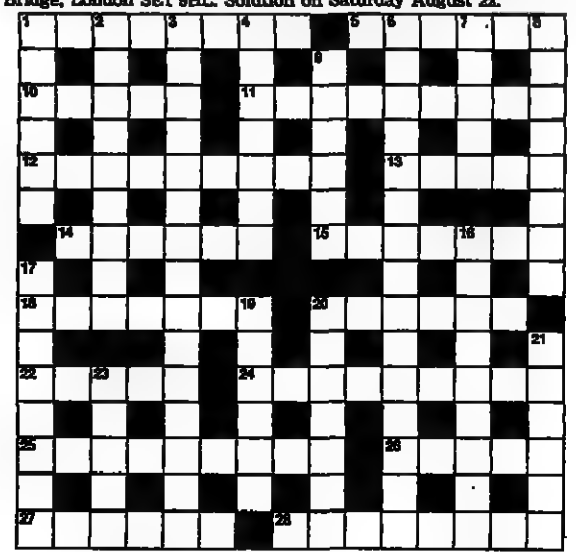
"They are individuals who go to a GP and get put on antidepressants. If you restrict your search to just looking at severely depressed individuals, you might get a completely different answer."

Kirsch and Sapirstein's work, and the reaction it has aroused, shows how difficult it is to draw sound general conclusions in an area of science that is influenced more than most by differences in individual responses to treatment. The constant variation in people's moods will always work against the designs of drug researchers who try to use control groups to account for differences between the mental states of patients. As Marsden puts it: "We are all unhappy at times, and that blurs the issue."

CROSSWORD

No. 9,755 Set by DINMUTZ

The prize of a matching set of finely engraved personalised notepaper, envelopes and correspondence cards on Ecu Kid Finish Paper from Crane & Co will be awarded for the first three correct solutions opened. Solution set Wednesday August 19, marked Crossword 9,755 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 1UL. Solution on Saturday August 22.



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Crane's
SINCE 1801

ACROSS

- 1 Thrown together, say, in a hit-and-run (6)
- 2 Note condition of property (6)
- 3 Strange card-game (6)
- 4 Italy not a place for losing keys? (6)
- 5 Lozenges for old complaints around the orient (6)
- 6 End of motorway illuminated all round (6)
- 7 See his situation? (6)
- 8 One in casino busted Mediterranean port (7)
- 9 Down, I go wrong in grass (7)
- 10 Simple fellow, youth-leader, selling church relics (6)
- 11 Palpatines Heath Robinson concealed (6)
- 12 Greer and I turn out the guard (6)
- 13 Left for dead, for example? (6)
- 14 Clumsy construction of pine table, originally (6)
- 15 Turns out Shakespeare's first dramas (6)
- 16 The knotted in shorter Gallic style? That is mad! (6)

Solution 9,754

DOWN

- 1 Thinly spread butter and jam (6)
- 2 Pence called in Channel cities, devastated (6)
- 3 Blatant overcharging for light lifting? (6,7)
- 4 Stupid person about to ring up for shellfish (7)
- 5 Firm friend and fellow club-member (6,9)
- 6 Man supporting an unknown number in a gnome (6)
- 7 One from Memphis, I pay sent out (6)
- 8 Sounding poison alarm? (6)
- 9 Conscious of carrying motorway slush (6)
- 10 They watch snooker-players on Sunday (6)
- 11 Crit is scented in river (6)
- 12 Headline not right for the Titanic, say? (7)
- 13 Cold in the extreme (6)
- 14 Sent person up for check (6)

Solution 9,743

ACROSS

Most players have been told that it is usually right to establish the longest suit when playing a no-trump contract. Better advice would be to attack the suit most likely to produce extra tricks. They are not always one and the same.

N
♠ J984
♥ AK82
♦ 9642
E
♠ 1032
♥ K63
♦ KQ76
♣ J3

Dealer: N Love All

North East South West
NB NB 1C NB
1H NB 1NT NB
3NT
West led 5♠, and dummy's ♠A won. Declarer started on the club suit but, by the time he had lost two tricks there, West's two remaining spades were winners. When declarer subsequently lost to West's ♠Q, the spade winners could be cashed to defeat the contract.

Declarer can count three

spade tricks, two diamonds and a club. How likely is he to score three heart tricks? The answer is very likely - almost 75 per cent of the time - courtesy of ♠1088 between the two hands. The club suit will only produce one extra trick at most, leaving you needing another. The heart suit should produce all the tricks you require.

At trick two, lead ♠W and, if East ducks, run it. West will win with ♠Q, and probably continue with spades. You win, cross to dummy's ♠A, and lead another heart, finessing with 10♥. Unless East started with four hearts to the king, when you cash ♠A, the remaining hearts will fall, and you reach your final heart winner in dummy via ♠K.

Two interesting events are being played in London this month. Bridge at the Mind Sports Olympiad, to be held at the Novotel in Hammersmith, August 24-30, with entry fees from £10.

TG's high-stake Calcutta tournament is at The Landmark Hotel in Marylebone Road, August 15-16. Spectators will be welcome free of charge.

Paul Mendelson

BRIDGE

CHESS

Matthew Sadler, the England No.3, led with three rounds left in this week's Smith & Williamson British Championship at Torquay, half a point ahead of Nigel Short and Jon Speelman. The grandmaster trio have dominated the event, challenged only by the Indian teenager, Krishnan Sasikiran.

Backing from the London financial specialists S & W has revitalised the British title contest by encouraging the best grandmasters to compete. Short last played in 1987, has since challenged for the world title, and now lives in Greece. Not quite a Fischer-style exile, but distant enough to create a mystique for opponents.

The experienced GM Keith Arkell has himself pulled off many similar traps to Black's 20th, but the occasion dulled his sense of danger (K Arkell v N Short).

1 d4 Nf3 2 Nf3 d5 3 c4 e6 4 Nc3 Be7 5 Bg5 h6 6 Bxh6 0-0 7 e3 h6 8 Be2 Bx7 9 Bx7 Bx6 10 exd5 cxd5 11 b4 c6 12 0-0 13 a3 Nd7 14 Qd3 Re5 15 Bd3 axb4 16 axb4 Nf8 17 Rf1 Ne6 18 Bf1 Qd5 19 Ne1 b5! Pinning at h5-b4 and so encouraging the losing reply 20 g7 Rxa1 21 Rxa1 Bxd4 22 exd4 Nxd4 23 Qa3 Rxe1 24 Rxe1 Nf3- 25 Kf1

Nxel 26 Qa7 Qe7 27 Resigns. If 27 Bg6 Qb6 28 Qxb7 Qb3- mates.

No 1243
White mates in four moves, against any defence (by John Beasley, British Chess Magazine 1995). Four turns seem ample to round up the lone black king, confronted by overwhelming material force and with only one legal move available.

However, the puzzle has proved hard to crack even for solvers like twice UK



solving champion David Friedgood, who admitted to "racking my brains" over it. The four-move mate consists of just a single line of play, where Black has no alternatives at any turn.

Leonard Barden

Handwritten signature: Joy, 10/15/98

PERSPECTIVES



Joe Rogaly

Will the poor always be with us?

Britain's workfare programme cannot reach everyone. Bigger welfare handouts may be unavoidable

Watch out, you are trapped. As you bask in the holiday sunshine, we propose to clutch your sleeve, darken the mood, talk about the deprived. We mean the really hard-up, those who remain indifferent to whether the Dow is heading for 10,000 or 5,000.

We are aware that this may be tedious. Nobody has much time for us sleeve-clutchers. Shoulders shrug as we try to hold the attention of the comfortably-off, be they wealthy Indians, rich South Africans, American millionaires, middle earners anywhere, taxpayers everywhere. The poor, they sigh in unison, are always with us.

Agreed, but need so many citizens of wealthy countries endure such wretched lives? "Yester-

day," writes Anita, a widowed mother of seven. "I was feeling down and stayed in my bed all day just thinking about what lies ahead for my kids." It is too easy to write her off as feckless, one of the undeserving poor.

The truth is more complicated. She is one of the luckless. "My children hardly go out of Easterhouse... I would love... to take them on holidays, but it is impossible on social security," she tells us. She had been left penniless when her husband threw himself into the Clyde.

Anita is one of seven contributors to a forthcoming book about life in Easterhouse, a public housing estate outside Glasgow. It is one of Europe's worst-off pockets of poverty, as described in books, academic studies, newspaper and TV

reports. You might think there is little room for another portrait, but Bob Holman argues that previous accounts have been skewed, produced by the wrong writers - well-paid outsiders.

Mr Holman is the editor and principal author of the volume I have cited. Once professor of social administration at Bath University, he moved to Easterhouse to work alongside its disadvantaged inhabitants. His motivation is profoundly Christian - just like the force that is said to infuse Britain's prime minister.

On a quick reading, Mr Holman's "right" writers condemn themselves with their own prose. Like Erica, who was abused as a child and became a prostitute, they could be called workshy, ignorant of contraception, crim-

inal, and the rest. Charles Murray, the American critic of welfare, is cited as describing Easterhouse as an example of Britain's underclass, comparable with inner-city New York.

"Take the poor writers' essays slowly, however, and you marvel at their ability to survive. There are some near-misses, some successes. Erica, off the streets,

notes her welfare income and how she spends it: she evidently keeps her children by different fathers fed on chips and beans. At the end of the week she cannot buy gas for heating. Anita's daughter Cheryl becomes a hostess on Virgin Airlines: she gets her wings from its founder, Richard Branson.

In these families, dysfunctional to the unsympathetic eye, the threat of removal of the chil-

dren is ever-present. While her daughter was in care, Carol, dominated by the need to appease social workers, joined a food co-operative. She eventually became its head. Others served in local voluntary organisations, helped people even less fortunate than themselves.

Britain's big-government schemes, such as its workfare programme, cannot reach everyone in Easterhouse. Employers back away from applicants with that address. The circumstances of each case differ, for the most intractable among them, bigger welfare handouts may be an unavoidable part of any rescue package.

I say this as one who argued in favour of "welfare to work" workfare in plain English - years before Tony Blair and New

Labour adopted the strategy as its own. In the 1970s and 1980s, Old Labour regarded it as a flimsy invention of the American New Right.

In truth it is nothing new. The Beveridge report, which laid the foundations of the post-1945 welfare state, was based on the assumption that applicants for taxpayers' money should be prepared to work. Mr Blair's administration also insists, reasonably, that retraining should be accepted if no job is on offer.

Easily available, means-tested financial support creates dependence. The American invention of "tough love" - cutting benefits after a specified period of time - should eliminate the moral hazard implicit in any welfare system but it is too tough for British stomachs. We are still

left with the problem of how to give succour to Carol, Bill, Erica, Anita, Denise, Penny and Cynthia, each one a special case.

We know the answer. They can best be helped by the right people, be they social workers resident in Easterhouse, local volunteers, or members of neighbourhood self-help associations.

Mr Holman is aware of this. So are Mr Blair's advisers on poor relief, some of whom contributed to *An Inclusive Society*, published by the Institute for Public Policy Research (available from Central Books, tel: 0181-936 5488). Easterhouse awaits the outcome of the prime minister's endeavours. Now, where did I put that sunken lotion?

Flash in the Pan, Lion Publishing, 220 pages, £16.99. Web site: www.lion-publishing.co.uk

Lunch with the FT

Lord of the elves with a passion for the abstract

Sir Anthony Caro gives Nigel Spivey a sneak preview of his work in progress. At first sceptical, he is won over

We stood in his London studio, a grained, brick cavern in Camden Town, redolent of sweated labour in a bygone age.

There Sir Anthony Caro might have passed as a waste-disposal magnate. So much crumpled steel and wreckage of railway sleepers lying around; the boss, in a remarkably striped shirt, surveying the scene with proprietorial satisfaction. The clang of hammers on metal, the screams of some abraded drill. He looked over the scrapyard and saw that it was good.

"So this is where you spend your hours - this sanctity?"

"Not No. This is where my elves work."

As if on cue, an elf hove towards us. All at 4in of him, in brown overalls. There followed a brief but intense exchange on a delicate point of welding technique, and the elf lumbered away.

"Come," said the lord of the elves. "Let me show you my little domain."

In an adjacent office there was an architect's desk. On the desk stood, a phalanx of dinky maquettes: tiny timbers, miniature folds of steel, all neatly assembled, with masking tape and glue, into matchbox masterworks. Here it was quiet. Here was where one of the world's great sculptors devises in prototype the craggy monuments which adorn Paris, Dallas and Seoul.

At 74, Caro might be pardoned for recruiting giant elves to execute his heavy work: so often his

pieces seem to have emerged from a trial of strength with the staunch elements of steel, clay and wood.

But he cheerfully admitted a lifelong preference for acting as visionary model-maker. "Jacking" is what he calls it. So my expectations of our encounter at lunch - of some spectral figure wandering into the restaurant with hair clogged with marble dust, and fingernails harbouring decades of grime - were disappointed.

The polychrome striped shirt from New York, a city to which Caro was given the keys in 1976, was no substitute for Michelangelo's notorious rag, or Rodin's plastic-encrusted smock.

And the restaurant (his choice) - hardly Bohemian. In a mews off Bond Street, Kaspia is a caviar house, where a three-figure reckoning is hard to avoid. Waiters, who in former lives surely served as blood-spilling Cossacks, prowl around to dispense lethal shots of cool vodka. Bison Grass was tipped into our glass thimbles; the dapper sculptor took an appreciative snort.

"Nice here," he observed. "They send you out without feeling stuffed." He leaned over and lowered his voice. "I once saw one chip in here - must have been a Russian - with the most amazing entourage of girls. You know. Hookers of the highest class."

If there was a rating of conversational lubricants, Bison Grass would score highly. At the outset, I announced gossip of the menu, and an agenda of strenuous interrogation: we had, after all, to justify the caviar and



Anthony Caro: 'There are abstract artists... whose work is out there and it means nothing to me. There are others... whose work leaves me quivering'

salmon and Bison Grass as fuel. In the end, we chatted too much, and too well, finally hailing a taxi to head for the studio.

But from this unaffected genius I record some enlightening table-talk. Enlightening, that is, to those puzzled by modern art in general, and abstract sculpture in particular.

Caro made his international reputation in the 1960s as an abstract sculptor. His last exhibition - at London's National Gallery - was of works directly derived from non-abstract paintings: Van Gogh's picture of a chair, for example.

Caro's work seemed increasingly to be including references to real objects. Was this a compromise? Would he now admit the language of abstraction, strictly speaking, had collapsed?

"To a man raising a first forkful of caviar to his lips, these inquiries were perhaps unduly strenuous. Caro lowered the fork."

"Humm. That's a stinker." "I mean," I hastened, "in your Deposition from the Cross there is a ladder. Plain for all to see - a proper sturdy ladder. In the sculptures you did of the Trojan

War, there were spears, shields, helmets. Very helpful - for those trying to match a title to a work of art, and grasp a meaning."

Caro was nodding, and looking pained. "But I've never set out to alienate the public," he pleaded. "There are abstract artists, Barbara Hepworth, for example, whose work is out there and it means nothing to me. There are others - Rachel Whiteread is one - whose work leaves me quivering. Mozart is an abstract musician, isn't he? Abstraction is the effort of parsing down."

"To pure simplicity?" "No. To clarity. That's why scale is so crucially important in abstract sculpture. But you talk about grasping a meaning. What is more meaningless than the style of all those bland civic and commemorative statues we have around?"

He paused. "Anyway," he added, "I started out with very figurative work, when I went to Henry Moore."

"Tell me about that." "Must? I'm sure everyone knows. Whereas I want to know what you think about abstract language."

Sorry. That's entirely by the way and of zero interest to our readers, I insisted.

"Well. All right. It's simple. I got into my Morris Minor and drove to Moore's studio. He said, 'You could have phoned.' Then he took me on for a two-year, part-time apprenticeship."

Was it hard to get started?

"That's why scale is so crucially important in abstract sculpture"

Parental disapproval, presumably?

"Not so hard. My father was a stockbroker and he considered all artists as delinquent, but he never disowned me. I always had that family cushion of money."

And you did a sensible degree, I observed. Engineering at Cambridge. Could have qualified you as a plumber.

"I got on with engineers," confessed Caro. "Or rather, I admire and learn from experts in materials. You might know I was once a sculptor in residence at an Italian steelworks in Veduggio."

Really "in residence"? "Enough to be a nuisance to the foreman, at first. Then they got used to me pottering about. The light's quite different when you're working in a factory. There have been similar experiences elsewhere - at paperworks in West Chester; kneading grog of clay with a master ceramist down in Grasse."

Why is that so important? What was wrong with traditional marble and bronze?

"Nothing wrong at all. Like Henry Moore, I came to ancient Greece late in life - 1955, to be precise - and I found it overwhelming. But sculpture is an art that demands reinvention, over and over again. There are figures I refer to and defer to constantly, Donatello, supremely, but of course I believe in an artist's right to independence. Much of what is popularly deplored in modern art comes from the interference of planners."

Bison Grass is an emboldening spirit. As we turned from fish roe to graze on a bowl of explosive wild berries, Caro pressed me for my own reservations about abstract art. I gave him a finger-wagging howl on the failure or unwillingness of abstract artists to attempt to convey human passionate experience.

He listened with surprising respect. By the time I finished he was palpably excited. He thumped the table.

"Look. We must go. You must see the work in progress. We are not at odds on this."

In 10 minutes, we were at the studio of the busy elf. There is a sequence being put together under the title, "The Last Judgment". From Caro's dainty models, genuinely imposing forms are being hammered into permanence. They will be exhibited and written about in due course: we will learn how they relate to Bosnia, and in turn the Holocaust.

This is not the place to steal a revelation. I simply admit I was wrong about abstraction; and predict this work in progress will be saluted as Caro's crowning achievement.

Dispatches

A people with no fear of falling

Brunei's oil riches are not reflected in progress on the ground, writes Sheila McNulty

Begawan, is not the gilded extravagance one might expect in an oil-rich sultanate of just 260,000 people. The city centre is a clutch of renovated Chinese shops-cum-bousses - cramped living quarters above the family grocery or business - and a humble shopping mall. The tallest building, a simple cement block, rises about 12 storeys and looks out over hundreds of tiny wooden homes on stilts over the Brunei river.

At low tide, the water disappears from under the homes, where a doll lies disconcertingly face down in the sand, her pink-stockinged legs bright against the discarded rubbish, plastic bottles and cans that litter the land below. Despite government efforts to move residents into modern cement flats, about 30,000 prefer the easy lifestyle above the water.

The metal fence on the bridge

out to the homes is rusty, and parts of it are disintegrating. Some of the planks connecting homes are split. Yet only five forces Bruneians into government-built homes: they are not allowed to rebuild on the river. They have lived this way for centuries and see no reason to move.

The government provides their basic needs: medical care and schooling for all and housing for civil servants - 11 of every 100 people. The safety net is so wide that diplomats say Bruneians do not worry about falling. Some see no reason to step on the corporate ladder.

The labour force is well educated and those at the top are bright, though the people are largely unproductive. Most want to work for the government, with its all-encompassing benefits and lighter workload, or they do not want to work at all. There are about 5,000 unemployed Bruneians and yet plenty of jobs:

everywhere. Filipinos work as waitresses, cooks, drivers and construction workers. Since Brunei Shell, the joint-venture oil and gas group exploiting the sul-

tan's riches, funds this welfare mentality, the country is often dubbed a "Shellfared state". "We need, perhaps, a more competitive environment," says Selamat Munap, deputy minister of finance. "You have to try to draw the line somewhere. So far

that has been at construction projects. The government is considering privatising its services and wants to diversify: oil and gas comprise one third of the economy."

That's where the amusement park comes in. It is the biggest attraction in a country eager for tourists. It invites them to use the deserted park and urges them to explore the unspoiled forests.

But visitors are kept away by the ban on alcohol sales and even the dress code at the mosques and amusement park. It is hard to move around as nobody wants to be a taxi driver. For several months in each of the past two years there has been another reason to stay away: thick smoke from forest fires in Indonesia.

Yet the region's economic crisis might present an opportunity for Brunei, which yields little clout, even in east Asia, to raise its profile by investing abroad.

The Brunei dollar, tied to the Singapore dollar, has depreciated in line with that currency, but has held its value far better than neighbouring currencies. Bruneians now cross into Malaysia to buy milk and other cheaper necessities.

Although this hurts Brunei's small businesses, it has almost no impact on the economy. The country earns US dollars for its oil and gas, which constitute 90 per cent of its exports.

Even the recent collapse of Amedeo, the Brunei-based construction company of the sultan's brother, Prince Jefri Bolkiah, and his subsequent removal from key positions of power, has failed to stir the populace.

Diplomats point out that the people do not pay taxes, and so they have no right to question where the sultanate's money is going. In any case, they will not be too upset as long as the royal-

ties from Shell continue flowing. And they know the sultanate cannot be in too serious trouble if it is quietly seeking to capitalise on the crisis. "Brunei is not unaware of the plethora of investment opportunities, many at bargain prices," Selamat says. "Like everybody else, it is scouting around."

It will clearly get more for its money if it invests overseas. Meanwhile, at home, the Malay Technology Museum, despite its name, sums up how little Bruneians have progressed relative to their neighbours. While Singapore connects its country to the internet and Malaysia builds an advanced infrastructure for high-technology research and development, Brunei uses the word technology in its most primitive sense. The museum features but and boat-building, fishing and tool-making.

It is as if Bruneians believe having money excuses them from progress. Even the streets are neglected, cracked and with holes left by ripped-up drain gratings.

This is what makes the monument marking the billionth barrel of oil produced so important. Without it, Brunei might easily be mistaken for the middle of nowhere.

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CHESS

PERSPECTIVES

Where the people wait for things to change

They are free to leave. But Burmese refugees in Thailand know they must stay put. Justin Wintle visited a camp

It was the earliest juxtaposition. In front of me two Padaung Giraffe women posed for my camera. Beyond them, a mile into the jungle, and within a bullet's fire of the Burmese border, was Karenni Refugee Camp 3. Only in Thailand, I thought, could tourism and a war zone cosy up quite so provocatively.

All four Karenni camps, which shelter Karenni people displaced from Burma, were out of bounds to foreigners. But someone had given me Doh Say's number. Doh Say worked for the foreign ministry of the Karenni government-in-exile. He agreed to meet me in Mae Hong Son, once a nothing frontier town, now a fashionable hill resort.

For a while, I sat by myself, waiting for him in what I hoped was the right mid-town café. Then a slightly built fellow in his mid-20s slipped like a shadow through the street door. "Let's not hang around here," he said. "I'll take you to my office." I was struck by Doh Say's near-perfect English. Like most Karenni, he was Christian, and had been educated by missionaries.

"Our presence in Thailand is unofficial," he warned. "So all the time we must watch our step."

I took his point. The Thai government's attitude towards refugees from Burma is that they are a burden to be endured. If Bangkok ordered their mass repatriation, it would be disastrous.

Doh Say switched on a fan and produced a bottle of water. Then he briefed me. The Karenni, he said, were one of the smaller of Burma's significant minorities, with a population of around 300,000. They were often confused with their larger neighbours, the Karen. But really they were a discrete people, and their claims to independence well-founded.

Before the British arrived in 1885, they had their own rulers. During the second world war, they had fought alongside the Allies, and when the British left in 1948, Karenni self-rule should have been reaffirmed. But successive regimes in Rangoon wanted Karenni State to belong to the Union of Burma. So the Karenni had turned to insurgency.

It was the same story with other minorities, for example, the Karen, the Shan and the Kachin. Thus, for 50 years, Burma has been a seething cauldron of armed conflict, complicated by drugs trafficking, an attempt by Beijing to foster a communist revolution and, at one point, the arrival of a remnant Kuomintang army.

Now, supplied with Chinese arms, Rangoon's military junta is winning hands down. Anyone who stands between the generals

and the country's considerable natural resources is simply brushed aside. Or rather "relocated". Throughout the minority homelands, villages are being destroyed and their inhabitants corralled into forced labour.

There have been many, many killings. Hence the refugees. But even in Thailand their safety isn't assured. Every refugee camp is close to the border, and the dreaded *Tamadaus* - the Burmese military - regularly comes across on punitive raids.

After telling me how the Karenni government was struggling to keep a force in the field, Doh Say said he would try to get me into one of the camps.

"Camp 3 would be the least difficult, but we must go by motorcycle. Bring your camera. If it works out, I'll collect you at 7am. If not..."

As I knew he would, Doh Say

Nothing at Camp 3 fulfilled my expectations: no guards, no concrete, just a sprawl of shacks

showed up at breakfast. The only way to get to Camp 3, he now explained, was through the Padaung tourist village. Therefore, I must pose as a tourist.

He also brought invitations for me to meet the Karenni prime and foreign ministers, Htebupeh and Abel Tweed. These welcome additions to my schedule threatened to wreck it, however. I had assumed that whatever precautions we took I would be noticed by some or other security agency, and had therefore arranged to fly out of Mae Hong Son at midday.

It hardly helped that the Karenni cabinet lived far apart, for fear of assassination. But, by 10am, at last we were on our way. It was a 40-minute ride. To avoid checkpoints we turned off the main border road and stuck to dirt tracks. And then, suddenly, we were there. Wedged between two hills were the Long Necks: around 30 women and girls, arranged on bamboo platforms under bamboo awnings, the youngest no more than five years old, each with a heavy, permanent coil of copper rings on their shoulders.

The first Padaung woman I saw was sitting quite still, with a made-up face looking straight at me. With her too-colourful head-dress and ethnic weeds, nothing



Above: the Padaung Long Neck women's village is run as a 'business', but they enjoy none of the profits. Below: the stockade at Camp 3 are to deter intruders



could have been more exotic. My pulse quickened. Here was a rare, exotic beast, frozen in her predator's glare.

Spared the \$5 admission fee to the tourist village, I moved forward and began taking photographs. Little by little, the scene slipped into focus. The Padaung Long Necks were also refugees, and their 'village' run by businessmen. The women and their families were clothed, fed and given a flimsy roof over their priceless heads, but enjoyed none of the profits.

"It reminds me of a Bangkok massage parlour," I mouthed.

"What are the coils for, anyway?" "Nobody quite knows."

"Bondage," I said. "Male domination."

Doh Say frowned, then beckoned me to the end of the clearing. The path into the next valley was long and narrow. Nothing about Camp 3 fulfilled my expectations. There were no guards, no concrete, no wire-fenced perimeter: just a sprawl of bamboo shacks, with a central concourse that stretched perhaps another quarter of a mile.

Here, lived 3,000 displaced Karenni. The Thais were not putting

themselves in harm's way, although around each group of huts a flimsy stockade had been erected, to hinder marauders.

On the face of it, the refugees were free to leave. However, they risked being picked up by Thai police, or, worse, abducted by the *Tamadaus*. So they stayed put. While their supplies came mainly from Christian aid agencies, they administered themselves. Food consisted of rice, fish paste, yellow beans, chillies, some salt, a little cooking oil and pitifully few chickens and pigs. Some had subsisted on this diet for up to 10 years.

In the centre of the camp was a lock-up where provisions were doled out. This also served two other camps, the nearest a 90-minute walk away. Since no one dared travel so far by night, neighbouring refugees had to trek through the full heat of the day. I passed several women bent double under the weight of 20kg-rice sacks; it is beneath a man's dignity to carry food.

Yet, as I learned later, the men were also exploited. The camps are regularly used as pools of low-cost, even no-cost, labour for nearby farms and construction sites.

As well as the store-shed, there was a medicine hut, a couple of pump-wells, a scratch playground, a wooden school building that doubled as a church, and an orphanage.

In the makeshift clinic, I peered behind this and that curtain. Today, the pallet-beds were empty, but as the monsoon gathered they would fill with malaria and dengue sufferers.

I took more photographs. Many of the refugees were intensely camera-shy, which was strange for south-east Asia. More in keeping with the regional character, very few of them seemed chronically depressed; oriental resilience in the face of misfortune unimaginable in the west.

"What do they do all day?" I asked.

My question puzzled Doh Say. Then he answered: "Wait for things to change. What else?"

"Couldn't they make something, earn some money?"

"We have some handicrafts, but anything else is impossible. The *Tamadaus* would come and steal any machinery. And in any case..." And in any case, given the parlous state of their own economy, local Thais didn't welcome competition.

I looked at my watch. We had exactly 40 minutes before my flight took off.

As we hurried back towards the Long Necks, I decided to use my last two frames on yet another woman ferrying rice. She stopped, then reached for my hand. I thought she was asking for money, but all she did was press her fingers into my palm.

"She wants you to do something for her," Doh Say said. "For all the Karenni people. Something much more than dollars."

Justin Wintle is completing "After Vietnam", a book about travelling in south-east Asia.

History piled on history

Christopher de Bellaigue finds Istanbul has been a ruthless discarder of early wonders



St Sophia: Byzantium's greatest surviving achievement

Follow Abay Pasinli down a flight of steps into a newly excavated, vaulted Ottoman chamber, and you are embraced by the familiar heritage of imperial Istanbul.

But accompany the director of Istanbul's museum of archaeology further into the gloom, into late Roman chambers with squat limestone piers and chunky brickwork, and you will have journeyed from the 18th century back to the 6th, the date when Sultan Mehmet II of the Ottoman dynasty entered Constantinople in triumph, earning his popular moniker, Conqueror.

For the past eight months, Pasinli has been burrowing beneath the congestion of familiar Ottomania that shapes the city's famous skyline. His lime-wet, cross-vaulted chambers, one of them animated by a simple fresco, lie 100 yards south-east of Byzantium's greatest surviving achievement, the church of St Sophia.

Semavi Eylece, a professor specialising in Turkish Byzantinism, believes they were either inside, or contiguous to, the city palace

first established by Constantine I, the emperor who shifted his seat from the Tiber to the Bosphorus and set up the first Christian empire.

"At least five distinct architectural periods are represented here," enthused Eylece, after touring the site on Wednesday.

This part of Istanbul, a sloping point of land washed by the Sea of Marmara, was a seat of imperial government from the construction of the first acropolis, in around 600BC, until the Ottoman Empire's demise, in 1923. This might suggest there would be centuries of architectural co-existence.

Above all, you might expect something of the enormous agglomeration of pavilions, churches and residences, known as the Sacred Palace of Byzantium, to have survived.

But most visitors to the area, now called after its largest mosque, Sultanahmet, are only dimly aware that Ottoman treasures lie directly on top of those of another great empire. The combined effects of earthquakes, subsidence and constant rebuilding have made the area a ruthless discarder of early wonders - some of which Pasinli is now uncovering.

Add this to what Cyril Mango, a leading British scholar of the

period, calls "the indifference of the local Greek population to their monuments", and it is hardly surprising that 19th century scholars drew on unreliable literary sources when deciding how Constantine I's palace looked.

Of the churches built inside his palace complex, only three - St Sophia, St Sergius with St Bacchus, and the basilica of St Irene - survive. The Ottomans turned the first two into mosques, and the last into an armory. Other important remains were churned up when the later Ottomans were laying a coastal railway line, in 1911.

Two years later, a huge fire exposed many Byzantine remains, but a scheme not unlike Mussolini's grandiose plans for imperial Rome - to turn the area into an archaeological park - led nowhere.

Today, modern development means that little more than the facade of one seaside structure remains visible.

Although the advent of Turkey's republicanism implied the rejection of its Ottoman past, it did not stimulate a great deal of nostalgia for the Byzantine empire that preceded it. Kemal Ataturk, who founded

secular Turkey from the ashes of the Ottoman theocracy in 1923, did reopen St Sophia as a museum. And in the 1930s, British archaeologists unearthed some magnificent mosaics south of Sultanahmet - they now have a museum to themselves. But the losses have been numerous.

Perhaps the most significant was human. In 1965, when around 100,000 Greeks were evicted from the city, Istanbul severed its blood ties with Byzantium.

Today, only real Istanbulis, those rare indigènes in a fast-growing metropolis of migrants, tend to express regret that their Greek neighbours have gone.

"Whatever affection I feel for Mehmet the Conqueror," one Istanbulis told me, "I also feel for Constantine the Great. If I had my way, they would tear down the minarets flanking Aya Sofya [St Sophia]."

Such talk gets a hostile hearing now that the city in general has grown more pious. Some Islamists whisper that it is only a matter of time before the call to prayer is heard once again from St Sophia.

It is futile to argue that these social and political currents have not affected the way Istanbul looks after its Byzantine inheritance. Until they were forced to

change their minds, council chiefs regularly declared their intention to tear down what remained of Constantinople. Even now, the authorities have permitted the construction of an unsightly concrete platform inside a fine Byzantine cistern.

Above all, it is little surprise that developers who discover fragments of Istanbul's Byzantine past while laying the foundations of modern apartment blocks tend to carry on building regardless.

How, Eylece asks, are inhabitants of Istanbul to develop a regard for Byzantium when their dreary town hall sits directly on top of an unexcavated Byzantine palace?

This might help explain why many Turks have been uninterested in Pasinli's discoveries. His excavation was financed by a private bank and the site is leased from the government by a chain of smart hotels - both of which, at least, predict some commercial benefits from the kudos of having helped.

As for Pasinli, he stopped digging when he ran into the foundation wall of an Ottoman palace of justice. It is to be hoped that the more enlightened elements of Turkey's private sector pay for him to try to get around it.

Life give
hundred
Mexican



BOOKS

Life given to one hundred years of Mexican history

Ben Vickers talks to Latin American author Carlos Fuentes, who believes his latest book will be his last

Mexican writer Carlos Fuentes has set aside 10 days this summer to relax from city life, and as usual has headed for a quiet hotel on the Formentor peninsula on Mallorca. The short break from his annual six-month stint in London has been dedicated to putting the final touches to his latest novel. The quiet at the hotel where he has spent his time revising the 500 pages of *The Years with Laura Díaz* has only been disturbed by a call asking him to become the new negotiator in the Chiapas conflict in southern Mexico, an offer he has declined, insisting that there are better people for the job despite his well-known concern for the Chiapas issue.

The conversation, however, as we have met to speak about books, centres around another decision he has reached. He has decided, at the age of 70, to strike a dividing line through his work, much along the lines of the *paraguas*, the decisive moments of Mexican history, which are so often at the centre of his narrative.

"If I am satisfied with *Laura Díaz* when it is finished, I won't publish anything else during my life. What I write after this will be left to my wife as a legacy, like a few old Bonnard or Van Gogh, to be sold off after I am dead," he says confidently, sipping a glass of *cacha* at a table on one corner of the wide terrace.

To write *Laura Díaz*, Fuentes has drawn from his family history, his personal experience and the history of Mexico. It covers the century from 1888 to 1988, and curiously overlaps either end of the 70-year period covered by a previous work of his, *The Death of Artemio Cruz*, which is one of his most read books, originally published in 1962. Fuentes is well aware that this is not the only point where these two works meet.

He himself has described *Artemio Cruz* as very macho, and in *Laura Díaz* has now written a book through the eyes and about the life of a woman. Is this an

intended counterpoint, after 36 years, and does it reflect changes in Mexican society or even in the market?

"It is definitely a counterpoint. To write *Artemio Cruz* I had to take the point of view of the Mexican macho. Artemio is after all a man who rises with the Mexican Revolution, and makes his power through politics and business, and who becomes a big tycoon. It is another world to that of *Laura Díaz*, who is a woman who comes from the provinces of Mexico and who has family and love affairs, deaths, births, and finally comes into her own and discovers her

'Laura Díaz' ... is definitely a counterpoint to the Mexican macho view of 'Artemio'

reason for living in her 60s."

Carlos Fuentes has long believed Latin American writers face the great challenge of giving life to the past of their countries, to that past when literature was not being produced there, when even the importation of novels from Spain to the Spanish colonies was forbidden. Indeed, the past as a theme is a constant in Fuentes' work. However, looking back on *Artemio Cruz*, Fuentes says that he has now achieved a much richer history of his country than he did in 1962.

"In *Artemio* the themes were so obvious, so apparent. You could almost follow the calendar of events, and that was why I had to jumble up the sequence. In *Laura Díaz* there is something far more interior to the history of the country. I can follow the chronological order because it's far more personalised history of the country."

The parallels between some aspects of the life of the novel's main character, *Laura Díaz*, and Fuentes' view of his own life are strong. Fuentes admits that he feels in some way the heir to a

brilliant young uncle of his, who was an outstanding young poet and essayist who died of typhus at 21. Fuentes was named after him, and says he has always felt that it was his right and his duty to accomplish what his uncle had not done.

"Maybe in the case of *Laura Díaz* I am transposing this to a woman who comes into her own because she gives reality to the lives of those she has lost along the way," he suggests. Having said this, he is quick to point out that there are a number of women who have played a special role in the composition of the female answer to *Artemio Cruz*.

"The best novelists in the world are your grandmothers. They are the ones who really put fiction into your head. They tell you the best stories when you are a child. They remember things that no one else will remember when they die. They take you back a generation or two, which you would never know without them."

Los años con Laura Díaz is based upon conversations Fuentes had with his two grandmothers, and the book starts with a tale of one of them losing three ring-adorned fingers to a machete-wielding bandit she fell in love with.

"In countries like Mexico, which has a triple inheritance of anti-feminism, which comes from the Aztecs, the Arabs, and the Spaniards, it is most important to define the values of womanhood. As I come from a family of very courageous grandmothers who were widowed early, I know what it is like in a macho country to have independent women striving to keep their families going."

The enormous changes there have been in urban society in Latin America, which have resulted in women taking more assertive roles over the last 25 to 30 years, have produced a new generation of young women writers, Fuentes refers to this development, which came after the so-called "boom" of Vargas Llosa, García Márquez, Fuentes himself, and others, as the *Blooming*. "Across all of Latin America, you see the emergence of women



in politics, entertainment, in the professions, communications, and in business. The changing role of women in Latin America has made a very big difference to life there. This change still has to come in our rural society, but the women there are the ones who

uphold civil society and the family, so they have a big role to play, perhaps an even more important role than women who become Senators or Deputies have. The presence of women in civil society is what keeps it coherent."

As far as the market is concerned, Fuentes says his impression is that it is basically women who read novels in Latin America. *The Years with Laura Díaz*, which will be launched in Mexico next spring, is the book Fuentes says he has been waiting all his

life to write. It will no doubt raise questions in the gender studies groups across western Europe and Latin America, although Fuentes is confident only the twist at the end will cause any such group more trouble. But he is not telling what it is.

Travels through a land of anarchy

The author found Albania sunk in unremitting poverty, violence and corruption, writes Kieran Cooke



Enver Hoxha, who kept Albania hidden behind a Stalinist wall

Enver Hoxha was, like most tyrants, paranoid. He employed a double to fool potential assassins: the man, a dentist from northern Albania, was taken by the Sigurimi, the secret police, to Tirana and forced to undergo plastic surgery. He was fattened up like his leader and even given lessons in how to appear cheerful after being hit by a bullet, so as to allow the real Hoxha to rise again.

When Hoxha died and communism eventually collapsed, the double tried to take refuge in the compound of a western embassy, only to be attacked by fellow Albanians frightened by the ghost of the dictator. Subsequently, the unfortunate victim attacked his own face with a knife, putting out one of his eyes.

Robert Carver spent three months travelling from the south to north Albania, a country the size of Wales

which for years was untouched by the outside world, hidden behind a Stalinist wall. Carver paints a thoroughly depressing picture of a land sunk in poverty and in a state of near anarchy.

"In the small, ramshouse towns of broken, filthy houses we passed through, crowds of homeless people stood huddled round, hopelessly in the streets; there were no shops, no kiosks, no cafes, nothing... I had known it was going to be bad, but I hadn't appreciated that anywhere was quite this bad. I felt I was in a vile dream which it was impossible to get out of."

Anyone with any money to bribe officials or buy counterfeit visas and passports has left. Those with qualifications who might have helped rebuild the country were either murdered during the Hoxha years or have been

exiled to remote villages by a government suspicious of anyone with an education.

Albania is an extremely violent country, riven by tribalism and plagued by the cult of *hakmat* or revenge killings between different fiefs.

THE ACCURSED MOUNTAINS
by Robert Carver
John Murray £18.99, 337 pages

or clans. Following the looting of police and military arsenals last year it's estimated there are four million automatic weapons in the country - more than one for every man, woman and child.

In the mountains of northern Albania arms stored away since the second world war are old and ready for use in the battle against the Serbs - and for settling old blood feuds.

Ethnic Albanians fleeing the Serb onslaught in Kosovo are finding out just what life is like in their "homeland". The refugees, viewed as rich by their compatriots, are regularly robbed, sometimes killed, as they cross the border.

Carver says robbery, murder and rape have been characteristics of Albania for generations. "However much aid and money were poured into Albania, they would always end up being plundered when order collapsed. Everyone was at war with everyone else." While there is no doubt Albania is in a perilous condition, Carver's tirade is not entirely convincing. Scarcely anyone merits a good word: western aid workers are naive and self-serving. Diplomats are not much better. A Greek embassy official insisted, against advice, on driving up from Athens without an armed guard. Held up by

bandits, he eventually walked into his embassy in Tirana wearing only his underpants and socks.

The natives anger Carver most. They are irresponsible, arrogant, lazy, congenial thieves, the lowest of the low. Sweeping statements are made, moralising about Albania that nothing would ever be done to clean up and rebuild the country, because that was always and would always be someone else's job. No one took responsibility for anything. Everyone liked to talk politics, but no one would ever actually do anything to change things: to speak of reform, repair, replacement was to have achieved it. The Albanian intelligentsia lived in a cloud of glorious rhetoric in which problems were the fault of others. I disconcerted them most by being concrete.

The worst sin of the Albanians is they keep taking advantage of the author - making him pay for meals and beers, totally ignoring the stringencies of his \$10 per day budget. Yet these same treacherous people show Carver a great deal of hospitality and warmth. They risk their lives to ensure his safety. A guide who has to suffer two days of the author's pontifications and who tends him when sick is grudgingly paid. Snide remarks are made about a British diplomat who takes time to brief the author - and buy him lunch.

There is much in this book that is fascinating. The author has undoubtedly taken risks in his travels and has a good eye for the surreal, of which there is plenty in Albania. However Carver's contempt for his subject is hard to take - ultimately he comes across as being too clever by half.

Alan Hollinghurst appears once in his novel, like Hitchcock in one of his films: on Hampstead Heath "he saw a sympathetic-looking man with short grey hair and a darker goatee turn purposely down a path ahead of him." You recognise the photo on the dust-jacket.

The Spell is brilliantly written. Hollinghurst's sense of place is exact and he uses language precisely, which is shown as early as the second paragraph of the first page, and immediately in the description of the Blue Coyote, the bar without windows rather than the other way round. He is a master of metaphor. Alex, the lover of young Danny, "didn't study the curling snapshots too closely for fear of cutting himself on the grins and glints of Danny's world".

Hollinghurst is a very literary novelist, but *The Spell* has as narrow a focus as Kelman's 20 short stories, *The Good Times*. Hollinghurst's novel is about four male

homosexuals, "used to the different codes of Boyz or Gay Times", whose love-plot is as involved as that of the quartet in *A Midsummer's Night Dream*.

Kelman's bleak short stories, one as short as a couple of pages (perhaps, the shorter the better), are confined in a similar way, of interest to those concerned with Glaswegian urban myth and to social workers. They are written in a semi-Scottish patois, "The least out of the ordinary thing, ye're aye thinking this is the one, this is the fucking one, this is it". Both books have the same narrowness that religious poetry has: they appeal only to their devotees. Hollinghurst is far too good to remain the subject of *Queer Theory*: he has to get out of the ghetto.

By contrast, Mario Vargas Llosa's *The Notebooks of Don Rigoberto* has excessive range, and at one point recommends, self-indulgently, how the wealthy might enjoy themselves in New York, Venice, Paris - at La Coupole, or La Marquise de Sévigné at La Madeleine. Vargas Llosa reminds us that "fiction is only a temporary remedy - flight into the imaginary which emends life".

Don Rigoberto's notebooks are a blurred combination of fact and imagination. His quest is to settle his relationship with his separated second wife who, he suspects, has seduced his adolescent son by his first wife. Given that the boy, Fanchita, is a precocious flirt, "the baby-bird kisses of that sweet mouth", and that his step-

THE SPELL
by Alan Hollinghurst
Chatto £15.99, 252 pages

THE GOOD TIMES
by James Kelman
Secker & Warburg £14.99, 256 pages

mother's maidservant remarks "there's something about that boy. I don't know what it is but it fills your head with sin", the initiative for seduction is the other way round: added to which Fanchita is addicted to the revealing art of Egon Schiele.

There is an inclination for Vargas Llosa to be tedious in his showing off his knowledge of Mahler, Schoenberg, Freud, Klimt, Schiele, Goya, Bacon and many more. The

THE NOTEBOOKS OF DON RIGOBERTO
by Mario Vargas Llosa
Faber £16.99, 375 pages

CHILDHOOD
by André Alexis
Bloomsbury £14.99, 256 pages

SUMMER THINGS
by Joseph Connolly
Faber £9.99, 336 pages

magic just works. Pretentiousness recedes and, carrying the reader with him, Llosa succeeds in escaping the tiresome reality which he would have suffered had he been elected president of Peru.

Childhood is a notebook novel, too. André Alexis presents, in first person singular, his hero Tom's account of his early upbringing. It is a novel of notes, footnotes, lists, timetables, schedules, and you need some French to survive, or, at least, some Québécois.

Tom has an errant mother, Katarina, and is reared for a time by his strict grandmother. Eventually Katarina reclaims him and together they proceed to Ottawa to live with Henry Wing, a black with some Chinese blood, who, an aesthete and private scholar, becomes Tom's mentor: he might, or might not, be Tom's father.

Alexis writes well when he is not making schedules. He describes Tom's mother, "I remember red lips, and an orchestra of jewellery: rings, bracelets, necklaces, earrings". He observes the banality of personal relationships, "Getting used to sharp toenails and flatulence... takes time to accept in oneself, let alone in another. That's not to say that I fall out of love at the first fart..." Childhood has scope and makes the reader think. The art of writing is difficult: "Two words forward. One word back. I'm surprised how arduous it is to write." But how reliable is Tom as a narrator? We know from his confessions that he can be a liar, cheat and thief. If only we could read his mother's version of this story, and, even more so, Henry Wing's.

Tom is a Heraclitean. "You can never step in the same river twice". Thus, *Summer Things* is different and distant from the other four books. It is a holiday

novel: read it while travelling, cooped up like a battery chicken, in a jumbo-jet: it will make you laugh and take your mind off the food. Connolly sees the funny side of things, a shaving mirror, "circular and chrome... normal on one side, lunatic on the other." At the beginning, young Norman is explosively seduced by his employer's very forward, teenaged daughter. He is admonished by her later, "Norman. The word glinted like anthracite before fading back into black." This is a comedy of suburban manners. "Why be sweet when the sour option's going?" It is outrageous, racy and raucous. Do not take it seriously: sit back and enjoy it.

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BOOKS

Opportunist gets his just deserts

Frederick Studemann on the vain, arrogant financier who rescued the Weimar Republic and ended up in the Nuremberg dock

Hjalmar Horace Greeley Schacht was one of the most infamous central bankers in history. A gifted financier, he took the credit for the rescue of Weimar Germany from the hell of hyperinflation and in the process became something of a folk hero at home and a respected figure in international financial circles.

A vain, arrogant and politically ambiguous man, he later offered his support – and with it, credibility – to the Nazis. His reward was a seat in Hitler's rubber-stamp "cabinet" from where he managed the revival of the country from the Depression and laid the economic ground-work for military rearmament, only to fall out later with the Nazis, who imprisoned Schacht in a concentration camp.

In the space of just 20 years Schacht went from being a prominent figure on the circuit of international conferences in the 1920s to sitting in the dock at the Nuremberg trials of German war criminals. While many of his co-defendants went to the gallows or to prison, Schacht was among the handful who were acquitted.

But unlike many of the industrialists who also stood trial at Nuremberg and later revived their careers at some of West Germany's most prominent firms, Schacht's own efforts to secure a position as government or central bank adviser were rebuffed.

Instead he spent the rest of his working life dabbling in private banking and dispensing advice to governments in what was then called the Third World.

All this offers rich material for a biography. Sadly, John Weitz has offered a half-baked effort. Alongside some irritating plain factual mistakes, the book is marred by an apparent over-reliance on one particular source: Schacht himself, whose apologetic memoirs seep through on almost every page.

That said, the book does give a sense of the ambivalent nature of its subject who epitomised the contradictory, opportunistic and negligent ways of many of Germany's senior officials, soldiers and industrialists in the first half of this century.

Schacht himself seems to have been permanently marked by his position as an outsider. The son of a Danish countess and a Frisian school-teacher, he hailed from financially modest and socially insecure circumstances. A certain distance towards Germany was engendered by his parents' fascination for America, where the couple had lived before Schacht's birth. (Deep admiration for the liberal New York politician and journalist Horace Greeley, resulted in their son's unusual names.)

Starting out as an economic journalist, he quickly made a name for himself

HITLER'S BANKER
by John Weitz
Little, Brown £18.99,
361 pages

as a trenchant critic of cartels. By his mid-30s he cashed in on his reputation and became head of Dresdner Bank's press department. Within five years he was a director, responsible for the bank's economic policy.

Schacht's finest hour, however, was to come in 1923, five years after the end of the war which so damaged his generation's belief in Germany's importance and grandeur. The currency was in free-fall, the Ruhr industrial heartland occupied by French troops and political street violence a daily occurrence. Few people were prepared to take on the role of chief inflation fighter and the job of Reich Currency Commissioner fell to Schacht, a liberal who supported the republic, only after others had turned it down.

Once appointed, he set about his task with a mixture of rectitude and resolution, beginning with a desk in a caretaker's office of the finance ministry. From there he replaced the worthless Reichsmarks (several billions of which were needed for a loaf of bread) with the new Rentenmark at a rate of one trillion to one. The new currency was pegged to the dollar at its pre-inflationary rate.

His efforts helped give Weimar a few years of apparent stability, though as Schacht himself was quick to point out, much of the prosperity of the late 1920s was phoney, financed by foreign loans.

When the creditors came calling, the republic went into a tailspin from which only extremists profited.

Schacht's own drift towards the Nazis was a gradual affair. In 1930 he resigned from the Reichsbank after a series of run-ins with the government over reparations, in which he accused Berlin of caving in. More a conservative nationalist than a national socialist, he recognised the power Hitler was attracting while still retaining a softy diffidence towards the Nazis.

The latter did not prevent him from accepting Hitler's offer, in March 1933, to return to the Reichsbank. It was an appointment that, while not clouded in affection – Hitler resented the arrogance and reputation as a reactionary of Schacht, who also refused to join the Nazi party – benefited both sides.

Hitler got an economics expert with an international reputation; Schacht got power and a chance to return to his old tricks of fiddling with Germany's foreign debts, and using all manner of mechanisms to harangue industry at home and lure money out of the hidden reserves built up by companies.

Schacht excused his new position through criticism of the Nazis in private, and by standing up to Hitler in person. He claims to have constantly spoken out against the treatment of the Jews, but more out of concern for the effects this might have had on Germany's reputation abroad.

The split came in the late 1930s when the fruits of Schacht's efforts were being deployed in building up military power. A threat to resign from the Reichsbank over increased spending was readily accepted, though Schacht retained the meaningless position of minister without portfolio until 1943.

He was arrested and imprisoned in the wake of the July 20, 1944 plot. Schacht was not one of the plot's ring-leaders or even key supporters. But like many of those more closely involved, Schacht had done much to aid the rise of Nazism and the expansion of German military might.

While he may have treated the "Bohemian corporal" with the disdain he also dealt out to wasters or bell-hops, Schacht was ultimately the servant who depended on Hitler's patronage for his career.



Don McCullin's photograph of the National Socialist Movement rally published in 'Topix', July 14, 1962; McCullin was one of the new generation of photographers who transformed British photography between 1967 and 1985 and features in Martin Harrison's book, 'Young Masters: British Photojournalism' (Jonathan Cape £25)

Sensual odyssey provides a feast of pretension

has been translated from the original Spanish, and something may have been lost in the process. But these sentences, with their characteristic combination of vagueness and hyperbole, give fair warning of what is to come.

APHRODITE: A MEMOIR OF THE SENSES
by Isabel Allende
Flamingo £16.99,
316 pages

attending a lecture by a "celebrated guru" who instructed his audience to spend 20 minutes eating a grape. Allende has tried to apply this technique to other foods but "I find it impossible to keep anything in my mouth for more than a few seconds. I'm referring to food of course. I have more patience with other things".

When she isn't working at establishing her credentials as a seductress, Allende engages the reader in a sticky mess of anecdotes, myths and

quotations. Her warning early in the book that "I intend to approximate the truth, but that will not always be possible" should be taken seriously. What, for instance, are English readers to make of the following "spell for trapping an elusive lover" which is "still practised in rural areas" of Great Britain? "The woman kneads flour, water, and lard, sprinkles the dough with her saliva, then places it between her legs to endow it with the form and savor of her secret parts. She bakes the bread and offers the loaf to the object of her desire."

Further on, Allende promises recipes for "the smooth parts of honey and ground almonds that Cleopatra's lucky lovers licked from her intimate parts, in the process going out of their minds" – and, for the health-conscious, modern recipes which contain fewer calories and cholesterol. If there is something depressingly morose about the notion of low-fat aphrodisiacs, it is as nothing compared to the stupefying effect of Allende's over-seasoned prose.

Describing a meal cooked by her literary agent, Carmen Balcells – the book opens like an interminable party, at which

Allende insists on introducing the reader to her friends and relatives – she serves up this incomparable feast of pretension: "And we eat until our souls rise up sighing and the most hidden virtues of our wretched humanity are renewed as that blessed soup seeps into our bones, sweeping away with one stroke the fatigue of all the disappointments gathered along the road of life and restoring to us the uncontrollable sensuality of our twenties."

The sections on individual foods, such as chesnes, are bafflingly under-researched, revealing that Chequer is popular in England, France and Gorgonzola in Italy. What all this has to do with sex is not clear and the recipes, supplied by Allende's mother, depend on flat assertions that a particular ingredient has aphrodisiac properties or a suggestive title. Rather than inflaming the blood, the lists of ingredients for dishes like "artichoke whisper" – mostly platane and evaporated milk – seem designed to curdle it.

It did occur to me that Aphrodite might be an elaborate hoax, a satire on the most precious kind of food writing. This possibility is supported by the credits, which list a creative director and designer, and by its dedication to "brightened men and melancholy women".

Sadly, though, I concluded that Allende is serious. What she has not realised is the drawbacks of the magic realist approach, popular with Latin American novelists, when it is applied to real life rather than fiction.

Joan Smith

There could be a certain symmetry in British politics in the 20th century. In the early years of the century the Liberals were at the height of their power as a reforming party. The Labour party was on its way up, but was dithered about how far it could achieve its ends by parliamentary means. The Conservative party seemed on its way down.

Two world wars, several economic crises and some electoral reform intervened. The wars brought coalition governments. The result was that the Liberals declined, while the Labour party became steadily more respectable and committed to the constitutional route. After the election victory in 1945, Labour was at its apex with its welfare reforms. Then the Conservatives came back and in the Thatcher-Major period it became fashionable to describe the 20th as the Conservative Century.

Close to the end of the century, however, it is doubtful whether that thesis stands up. The Labour party, admittedly slightly renamed as New Labour, is back in office. The Liberals, renamed as the Liberal Democrats, have not disappeared and have 46 seats in the House of Commons. It may be that it is the Conservatives who should be worried about the threat of extinction.

David Powell's book *What's Left?*, with a foreword by Tony Benn, does not approach matters in quite that way. So far as it comes to a conclusion, it is that New Labour is a betrayal of the old, and that the party has been for ever torn between the inevitability of gradualism and the pursuit of revolution. He implies that this internal dispute will re-emerge and quotes with approval an early Fabian statement: "A Labour party which

On the road to New Labour

hurts no one will benefit no one." Powell's basic question is stated in the first paragraph: "How can a party rooted in dissent ever become the party of government?" Yet he is wrong from the start. The Labour party is not the only party with a dissenting tradition. Some of the old Liberals were dissenters, as were

WHAT'S LEFT? LABOUR, BRITAIN AND THE SOCIALIST TRADITION
by David Powell
Peter Owen £22.50, 300 pages

some Liberals in the not-too-distant past. Some old Tories were dissenters, as are some present ones. Margaret Thatcher became a dissenter after her early experience in the government of Edward Heath.

The answer is that, to become the party of government, either you reach a broad consensus with the electorate or you strike when the time is ripe for change. Tony Blair did the former, helped by the fact that 13 years of Tory government were a bit much in a two or two-and-a-half party system. Mrs Thatcher did the latter, but only after attempts by previous governments (Tory and Labour) at the reform of industrial relations had failed and the electorate came to want some-

thing more radical. Then she stayed too long.

You also have to stop fighting old battles. As Denis Healey recognised when he was in the running for the Labour leadership, many of the original aims of the party had been achieved by the Attlee government of 1945. The challenge was to keep them on track and make improvements. On economic policy, Healey said in 1979: "We shall do best if we continue to operate a mixed economy in which the operation of market forces is controlled by the government either through legal rules or through direct intervention. The only question is where the boundary should be set in particular cases between state intervention and the market."

There is a certain continuity in British politics. One government can learn from another's mistakes. Blair learned from Thatcher, both from her successes and failures. There is some continuity in the Labour party, too. Powell rightly recognises the role of Michael Foot in holding the party together in the early 1980s, but from then on it was the road to New Labour all the way through Neil Kinnock ("the real architect", according to Powell), John Smith and now Blair and Gordon Brown. It was Blair who said early on that the Labour party was not "a preservation society" for the party's original constitution.

Powell is none too happy with all that, but I am not happy either with an author who refers to Ludwig Erhard simply as "an avowed monetarist" who had served as German chancellor for three years during the 1960s. Erhard had rather a lot of economic reforms behind him.

Malcolm Rutherford

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FINANCIAL TIMES
No FT, no comment.

In the past two years, Britain has witnessed the emergence of a new wave of writing about twentysomething pre-millennial angst, hard drugs, casual sex and existential paralysis.

Dubbed the new FTNs (First Time Novelists), these authors include the likes of Bo Fowler, Toby Utt, Lena Citron and Alex Garland. Heralded by rumours of exorbitant advances, these writers are as much the product of marketing strategies as good writing habits. Photogenic, young, trendy and ironic, they offer a voyeuristic look into the public and private lives of the youth of today.

The FTNs are essentially entertaining writers, as obsessed with the minutiae of social life as the TV they were brought up on. An ex-soap opera actress in her native New Zealand, Emily

Perkins is no exception. Referred to as the Natalie Imbruglia of British fiction, her first novel, *Leave Before You Go*, is an ode to spathy.

Daniel, a Londoner and one of the two protagonists of the book, agrees to go on a drug run for a friend of a friend, partly because he has nothing better to do, and partly because there's a \$10,000 thrown into the bargain.

Once in Thailand, Daniel goes through the excruciating experience of having to swallow 50 condoms full of smack to take across the border into New Zealand. The description of this process, of swallowing them

passing the 50 "rubber fingers", is dealt with too swiftly to be satisfying. "Finally it was over," Perkins writes, after a brief description of the cubicle and Daniel's anxiety.

It is only the beginning, however, of Daniel's anxiety. When he arrives in Auckland, he gives the gear to the wrong guy.

Meanwhile, in a dark cinema sits Kate, the other protagonist. Kate is bored, restless, dreams of escaping, tries to avoid her ex at a party, and is overshadowed by her successful TV presenter sister with perfect cheekbones. She and Daniel eventually meet and provide the thwarted love interest of the story; if they end up

LEAVE BEFORE YOU GO
by Emily Perkins
Picador £12.99, 292 pages

WHY THE TREE LOVES THE AXE
by Jim Lewis
Flamingo £10.99,
276 pages

together, it is almost by accident.

Frozen in mid-pubesence, Perkins' characters never grow up. They are selfish and starved of intimacy in a world where no-one seems able to communicate. For all their narcissism, their sense

of self is so tenuous and shaky that they are forced to lie, or lie precisely because they have no sense of self.

The themes of lying and self-invention are also prevalent in Jim Lewis's eerie and atmospheric second novel *Why the Tree Loves the Axe*. It is the story of Caroline, a woman on the run from her past who survives a high speed car crash only to find herself on the run again.

Trying to put as much distance between herself and a failed marriage, 27-year-old Caroline leaves New York and ends up in Sugartown, Texas. She gets work in an old folks home where she is both warned about and seduced by a cantankerous

old man by the name of Billy. When she finds herself swept into the crowd at a street riot and implicated in the violence, she is forced to re-evaluate her situation and her identity. When the police start looking for her, she makes plans to leave town but not before striking a Faustian-type bargain with the lucid and beryll, crazy prophet Billy.

Told in first person, from her point of view, Caroline's story is a kind of Thelma-and-Louise-meet-Isabel-Allende odyssey. Her voice is absolutely believable, vacillating between the extremes of caution and hysteria.

The language is lush, if at times overblown, and the overall effect is surreal. Lewis manages to transform suburban life in the southern states into a post-apocalyptic world of strange coincidences and vivid visual impressions.

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John Lewis

Paul Jeromack reviews the New York Met's exhibition devoted to every aspect of Tiffany's work

Included is his lesser known work in furniture, pottery, enamels, jewellery and architecture

The Met's connection with Tiffany dates from 1896, when H.O. Havemeyer donated 56 examples of favrite glass, which Tiffany had only been producing for three years, to the young museum. Havemeyer and his wife Louise were avid Tiffany enthusiasts, having commissioned the artist and his associate, Samuel Coleman, to oversee the decoration of their home.

Most people associate Tiffany with lamps, and the Met's holdings, though not numerically large, include several unusual examples — notably a hanging fixture fashioned as a woven American Indian basket (made for Robert W. DeForest, Tiffany's lawyer, who was also the founder of the Met's American Wing); a table lamp with French pottery base by Pierre-Adrien Delpyrat, with a shade of deep red turtle-back tiles; and a Water-lily table lamp which is one of the few, according to Frelinghuysen, that "successfully integrates the design of the bronze

Stained-glass window by Tiffany; glasswork was just one of his many talents

Tiffany's mosaic work is brilliantly represented by the wall fountain of a garden landscape, a showpiece in Tiffany's salerooms which came to the Met in three instalments. Says Frelinghuysen, "Lillian Nassau, the dealer who had done so much to promote the Tiffany revival in the 1960s, had generously donated the mosaic

backdrop in 1978, and put us in touch with the lady that owned the base, who was also nice enough to give it to us. The problem was the final, which was owned by a dealer in the Midwest who knew we had to have it, and we had to pay a lot more than we would have liked to at the time to complete the piece."

the show are over 75 unpublished watercolour drawings from the Tiffany Studios depicting interior designs, lamps and accessories, of which only a few can be linked with finished projects or products. Part of an archive of over 40 Tiffany designs purchased by the Met in the 1960s, many of them, says Frelinghuysen, "are still in need of conser-

The exhibition, accompanied by a special Summer Bulletin by Frelinghuysen, has been funded by Tiffany & Co, the jewellery and silver store founded by Louis Comfort's father Charles Lewis Tiffany, and runs till January 31, 1996.

True lives and true lies

When it comes to a question of honesty should you trust the spiegle who says "The filer's stronger than the bleedin' car" and "It's gone through a new MoT, it's got its failure note inside"? Or the smoothie who has been taught that the first three rules of salesmanship are (1) Customers tell lies, they say they've seen the car cheaper elsewhere; (2) Never do anything customers ask and never answer their questions; and (3) Never commit?

Fothergill has done the public a big favour in somehow getting his camera

It was also unmistakably British. Contrastingly the following three programmes all have a decidedly American flavour. This week's "Boy Crazy", told the story of Mary Letourneau, a Seattle school teacher who had an affair with a 13-year-old schoolboy, became pregnant by him, was charged with rape, released on condition that she did not see him again, continued with the affair, was imprisoned, and then discovered she was pregnant by him for a second time. The boy, protested that it was not rape since he readily consented, and now looks after his children with the help of his mother.

So the top and tail of this series (Fashanu constituting the tail) are solidly British, but the three central programmes tell us as much or more about America as Americans. They are powerful, professional examples of tabloid journalism, but they represent a growing trend in which it is difficult to avoid the suspicion that the dollar plays an important part in one way or another. Is it co-production money up front? The hope of future American commissions or co-productions? We have no way of knowing from the credits, but it would seem odd if British—and especially BBC—current affairs series, set out deliberately to put such emphasis on American interests if there is *not* a financial motive involved. Some licence fee payers might feel they have a right to know.

David Murray finds Shakespeare cohabiting with a money-spinning musical at this year's festival in Stratford, Ontario

That has its own particular attractions, which Britain's Royal Shakespeare Company has undervalued lately. Along with this massive Stratford season, Ontario boasts also a Shaw Festival down at Niagara-on-the-Lake with a similar format. Instead of Shakespeare it features George Bernard Shaw and his "contemporaries" (a rich choice, since Shaw's life was so long); but

Though these festivals are a huge asset to tourism, they get meagre state funding. Stratford in particular has been feeling the pinch, which may account for the cautious, middle-brow range of their current season: familiar Shakespeare and modern "classics", including straight commercial pieces like *The Miracle Worker* (not

The latter gets a lively revival by Susan H. Schulman, swift and sharpedged. The piece has some original merit, but playing without a play format is bold for musicals, and Mitch Leigh's score puts tricky spins on its Spanish rhythms, though "Dream the Impossible Dream" comes round once too often. There is a fine, resourceful Cervantes/Don Quixote from Juan Chioran, and Cynthia Dale makes Aldonza a feisty saint. Excellent cast all round; crisp musical direction by Berthold Carrière.

So far in the only Shakespeare in the big theatre is

I blame the director Douglas Campbell (yes, *père*), whose veteran strengths as an actor have not carried over. Risible battle-scenes; a brief, lame attempt at turning the Roman mob into a Greek chorus; a mild, vague Caesar, an airhead Calphurnia, an ultra-bland Casca and a campy female Soothsayer. No crucial scene

Studded with pretty
waltzes and extra lyrics from
Cymbeline and *Love's
Labour's Lost*, it dances
through Guido Tondino's
summery pre-war settings.
The first act is a case of
Beatrice and Benedick as
distinctly long-in-the-tooth,
a whole generation older than
Hero and Claudio. The point
of it is really to accommo-
date Martha Henry, now the
 doyenne of Canadian act-
resses, and cuddly old Brian
Bedford in roles they love
and relish infectiously. It
works, though once or twice
it looks a bit macabre. A
wonderful bonus is William
Hutt's *Leonato*, ineffably,
paralytically drunk through-
out the plotting scene.



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The other actors respond perfectly to Bedford's meticulous direction: notably Chioran and Graham Abbey as the Bohemian princes, John Gilbert and Robert Benson among the Sicilians, and Douglas Chamberlain's funny, magisterial Time.

Above all, in the play's most suggestive role we have Diane D'Aquila, the best Paulina I've seen since Peggy Ashcroft: a darkling presence, fraught composure, and utterly scorching when she lets fly. Her splendid performance crowns a *Winter's Tale* that is not

only "vaut le détour" to Stratford, but would justify a long trip to get there.

The Winter's Tale plays in repertoire till September 20; other plays mentioned continue into early November.

Stratford box-office: fax Canada 518-273-6173.

OUTDOORS

What's wrong with British Airways?" was my mother's reaction when I announced the plan to fly a microlight from India to the UK.

Since a microlight, or ultralight, is little more than a hang glider with a motor underneath and a motor-cycle engine strapped to the back, she still thinks I am completely crazy.

The inspiration for the project was a microlight race from Madrid to London that my brother-in-law Storm and I completed in 1995. While we came nowhere in the field, we both learned a lot and got the bug for doing something that would really test us. Storm's appointment as business development manager for Rolls-Royce in India determined the choice of route. We talked over how to

make it happen for months and got to the point where we had either to do it or stop talking about it. So, having convinced the FT to sponsor us, we approached Titan Watches in Bangalore and Dr Martens in the UK, both of which also agreed to help sponsor what was now called Microflight 98.

That evening, we broke the news to our wives, who were, and continue to be, really supportive.

With the funding in place, we set about planning. It was Hobson's choice as far as the route is concerned: through India, across the south coast of Pakistan, into Oman and through Saudi

Arabia to Jordan. From there, it's a hop to Cyprus and Greece before hitting Italy, then over the Alps into France and home.

It's more than 6,000 miles at an average 60mph - and that is our airspeed. One of the real challenges, going from east to west, is that it is against the prevailing winds, which has never been done before. That can slow progress across the ground to the point where you feel as if it would be quicker to walk.

Getting the right fuel to the right place at the right time is as difficult as obtaining all the clearances needed for crossing the various international borders.

We still don't have clearances for Saudi and Pakistan, but we decided to start and hope they are agreed.

The other real challenges will be the terrain and weather - mountains, blistering desert, huge crossings over nothing but water (always interesting in a single engine machine) as

well as some highly sensitive areas.

Crossing from India into Pakistan at 2,000ft, which we should achieve today, could prove interesting in the current political climate, as could tracking across southern Lebanon, where the only experience the Israelis have of these machines is suicide bombers. Official clearance to proceed is one thing; a local "peacekeeper's" reaction possibly another.

The weather is obviously another hazard for these machines, particularly in the 50°C heat of Saudi. Flying in the thermals is like being in a washing machine, while unstable clouds can make it very uncomfortable. We also started out in the Indian south-westerly monsoon period. This meant we were unable to fly on Sunday and Monday but since then, we have enjoyed brilliant conditions and are back on schedule, approaching the Pakistan border. We have no weather radar

on-board but what we do have is VHF radio for talking to the ground and other aircraft, a satellite navigation system, portable PC and Mobip SatPhone.

This will enable us to update our website every day (<http://www.microflight.com>) and to get help if we need it. Our safety kit includes life raft, flares, beacons, strobes and an alarming amount of water in case we go down in the desert or sea.

The timing of the trip was agreed with Farnborough so that we can make a grand entrance by flying in to the International Air Show on September 8. What better

way to end a mammoth adventure than at the prestigious air show.

That meant an August 1 departure from Bangalore. I arrived there two weeks before, just as my machine finally cleared customs - which created an immense amount of paper work, and took longer than we hoped it would take us to get back to the UK. After a day rebuilding my machine, we were back in the air. Setting off at the height of the monsoon season could be seen as bad timing, but Farnborough beckons.

■ *Microflight 98 is raising money for CRY India, a charity providing education for Indian children who are marginalised from the state system. Details can be found at <http://www.microflight.com>. Cheques made out to Microflight Charity Fund may be sent to Microflight 98, 8 Kilsom Road, London SW13 9JL.*

Wrong way to Farnborough

Two brothers-in-law are flying microlights from India to the UK, sponsored by the FT and raising funds as they go. Rory Jeffes reports on his attempt at this east-west flight against prevailing winds



Xantia Exclusive 3.0-litre V6 automatic. Drives like a streamlined version of Citroën's XM flagship

Motoring / Stuart Marshall

Marques keep distinctions

When Peugeot took over Citroën to create the PSA Group, dyed-in-the-wool Citroën enthusiasts gloomily forecast the end of the road for the interesting, if sometimes eccentric, cars of their choice. That was more than 20 years ago - and the pessimists are still waiting for it to happen.

Although engines, transmissions and, at the lower end of the market, running gear are common to both marques, Citroën and Peugeot manage to retain their individuality.

In all honesty, I could not say that, from the driving seat, a Peugeot 106 and Citroën Saxo, Peugeot 306 and Citroën Xsara feel completely different.

But the Citroën Xantia and the Peugeot 406 could have come from different manufacturers, not just different PSA Group factories.

It is mainly due to the suspension systems on the two cars. For its larger cars, Citroën stays faithful to the gas/hydraulic system it pioneered as long ago as 1960 in the DS19. Peugeot cars get their supple ride from conventional steel springs.

In recent weeks, I have enjoyed two of PSA Group's top cars - a Peugeot 406 coupé and a Citroën Xantia Exclusive. Both have the same 3.0-litre V6 multivalve engine developing 194 horsepower at 5,500rpm but the coupé's transmission was a 5-speed close-ratio manual gearbox, while the Exclusive's was a 4-speed automatic that detected and then adapted to my driving technique.

I was more than happy with the Peugeot's comfortable ride but as a long-term fan of the marque I have to

say that there is something about the gas/hydraulic suspension that sets Citroën apart from other cars.

Small bumps at low speeds can be distinctly heard and felt but really bad roads - like those with broken edges and adverse cambers - are treated with disdain.

The Exclusive's ride was soft, almost floating; but computer control of the suspension units ensured it was never floppy and that fast corners were almost rollover-free. Whatever the load, it always remained level.

Two incidental advantages of Citroën's gas/hydraulic suspension have helped me to past emergencies. Raising the ride height at the touch of a lever came in handy on flooded roads.

And on no other make of car is changing a wheel so quick and easy. You select maximum ride height, put a prop under the body and then reduce the ride height. The wheel with the flat tyre lifts clear of the ground.

Although both cars had the same engine, the manual transmission Peugeot coupé

had lower overall gearing for sporty rapid acceleration. It was quick off the mark; Peugeot claims 0-62mph in 8.2 seconds.

More important to me was its extreme flexibility which

encouraged a relaxed driving style of starting in first, going straight into third and then into fifth.

On the motorway, the engine was faster-spinning than one expects of a 3.0-litre but never less than silky. Fuel consumption averaged 26mpg (10.8/100km).

The Peugeot, styled by Pininfarina, is an urbane car, exceptionally good-look-

ing, roomy up front, somewhat less so in the rear seats and with moderate boot space.

It has finesse. Unlock the car with the remote control and the windows drop a few millimetres so the big doors will shut without slamming - and then the windows rise again.

Operating the catch on a front-seat backrest makes the whole seat slide forward under power and then back to its pre-set position once the rear passenger is in.

The coupé's manual gearbox was as good as they come but for everyday driving I would have preferred the automatic transmission as fitted to the Citroën Xantia Exclusive.

When you are inching forward on a motorway that has congested to a near standstill, a trivial loss of on-paper performance and 5 per cent greater average fuel consumption is a small price to pay for the sheer ease that is provided by two-pedal control.

An open road car, the Exclusive felt like a slimmer

version of Citroën's flagship model 3.0-litre XM, an impression fed by the soft black leather, power-adjustable seats, superb ride, vigorous performance and ambience of air-conditioned tranquillity.

Back-seat passengers had plenty of head, leg, hip and elbow room and lifting the tailgate revealed a large, slab-sided load space.

Which of these two desirable cars should one buy? If good looks are critical, it has to be the glamorous Peugeot coupé. I loved its sheer elegance but there was no way I could persuade two sets of golf clubs and power trolleys into the boot.

So for me it would have to be the Exclusive, even if its gendarmic blue non-metallic paintwork did nothing for its elegant lines.

Prices: Peugeot 406 coupé 3.0 V6 SE (manual) £27,000; Citroën Xantia Exclusive automatic £22,030.

There are cheaper, 2.0-litre, 4-cylinder engine versions of both cars, priced from £20,670 (406 coupé) and £18,695 (Xantia Exclusive).

they are expensive, get broken into, are dangerous, and are a prime source of pollutants.

Her book was written before John Prescott, the deputy prime minister, unveiled his transport white paper, but she would surely endorse the thrust of that document in which, as one commentator put it, "the car is no longer king". Where she might disagree is that she would apparently prefer to see the car deposited in a palace coup, while the Labour government appears to want to cut the powers of the car gradually and, in turn, empower its previously

ineffectual rivals - the train, bus and bicycle.

The trouble with either prescription is that it must confront a powerful lobby in the oil industry and a powerful instinct - our desire to get behind the wheel. Whatever medication we apply to make the transport system workable will involve painful tolls or restrictions for the motorist to be effective. As Baird says: "We all want to drive, we all have a right to drive, and that's the problem."

* *The Estate We're In* by Nicola Baird, Indigo, £7.99.

Talking about a new generation of clever cars

John Griffiths chats with Abe, his new Lincoln, and looks forward to an enduring relationship

Harold Musgrove first gave us the talking car.

It was 1984. Harold was chief executive of what was then Austin Rover and with the Maestro, he proudly declared, a miracle was born.

Unfortunately, such were the shortcomings of its synthesised voice system, designed to sound warnings of malfunctions, that the only miracle was that Austin Rover escaped being razed to the ground by hordes of irate owners.

Maybe the talking Maestro would have been forgiven had it started each day more astutely. There could have been sycophantic remarks to lady owners such as "My, what a vision of loveliness we are today"; or sniggers of, "Let's go humiliate a Corolla" to drivers of the Formula One bent.

Instead, it shed dismal warnings such as "Your door is open" or "Your engine has just fallen into the road", which were usually hopelessly inaccurate.

Once apologetic Maestros realised there was something embarrassing about yelling at their cars to shut up, the "miracle" was quickly over. By the mid-1980s, the garrulous Maestro was no more.

Now, more than a decade later, I've been having a chat with the first of a new generation of altogether more competent talking cars - one of Ford's finest, a prototype Lincoln Town Car.

I tell it to phone the office. It says: "Yo, boss - office coming up."

I say: "Play track 5 of that CD." It says: "Sure thing - hey, good taste or what?"

I cannot decide which radio station I want. Dutifully, my new Lincoln pal (I call him Abe) reads out a whole directory.

Cool it, I say - and obligingly Abe turns down the air conditioning.

Yes, I admit, I have embellished the conversation. Abe obeys my commands exactly - but his responses are more dour. He has not yet learnt to be chummy, but no doubt chumminess can soon be programmed in.

For now, what the Lincoln does is repeat my commands with unfurled accuracy, before executing them. More important, it gets them right even while jolting along unmade roads or above such intrusions as the hum of the air conditioning.

For the present - meaning the next few months - the

phone, CD, radio and air conditioning are the only systems in the Lincoln that can be voice-activated. Wipers, cruise-control... anything else requires a flick of a finger.

But Visteon, the Ford-owned components group which has developed the technology, has already started producing more sophisticated systems for important new cars to be launched this year. One is the replacement for the Ford Scorpio; the other the S-Type from Jaguar, Ford's British luxury cars subsidiary.

On these cars, voice commands alone will also open doors, boot and filler cap, activate interior lights, adjust mirrors and wind windows up or down.

Amazingly, there is no easily identifiable extra cost for the system. It nets out at a few hundred dollars, but is not listed as an extra. Instead, the cost is being absorbed in the vehicle's overall price tag.

The system, in its first phase, could hardly be easier to use. It might roll its electronic eyes to the heavens when dealing with mumbler like me, but those meticulously worked-out algorithms can cope. Recognition rates are over 90 per cent.

This is also a technology joint venture from which drivers of computers, as well as cars, will benefit. IT companies regard the occasional PC crash as one of those whimsical facts of life: to Ford and other volume carmakers, any kind of system failure that saps the confidence of the customer is anathema.

Not only does Visteon aim for virtually fail-safe systems, it wants on-board computer hardware that can be updated and expanded to overcome that other PC buyer's burden - desktop systems out of date almost as soon as they are in operation. "We can't contemplate anything which might undermine the resale value of the car," says Kostepen.

Where the limits of voice-activated technology lie is hard to guess. Its most ardent advocates claim that two or three decades into the next century, motorists may be able to climb into the back of their cars and simply order the car to drive itself home. I would take that one with a pinch of salt.

Visteon would like to have a monopoly on its Vacs (voice-activated control system) technology, but it hasn't. BMW is also getting ready to sell cars with voice-control systems.

Within three years, such technology will be on offer from most other leading carmakers, including the facility for drivers to give satellite navigation systems a destination address verbally, with the car then calling out to the driver when and where to make the turn.

There should be a marked reduction in nervous wrecks.

Even for a company the size of Visteon - \$16bn turnover, 55,000 employees - the technology has been a challenge to develop.

The only clue to its existence for the driver may be

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on the subject, *The Estate We're In*, has a mass of material on the problem and possible answers. But she may underestimate how much pain motorists are prepared to endure to make driving tolerable in future.

"If motoring is to live, the car, as we currently know it, must die." This apocalyptic view, quoted in Baird's book, comes from a prominent national newspaper journalist and may indeed be an accurate forecast.

The fact is that the journalist himself, who lives in south London, has shown no intention of renouncing his large limousine. Such a

gap between sweeping statement and personal behaviour is one that surely runs deep for most dyed-in-the-wool motorists.

Nevertheless on any measure, either personal or anecdotal or large-scale statistical, few will dispute that in the UK, a desperately overcrowded island, driving is becoming a more distasteful experience, especially in and around all the major conurbations.

There are already 27m registered cars in the UK; by 2025, this figure could have reached 40m. Baird says - rightly - we persist in buying them even though

How to Spend It

Fashion

How to take the creases out of a holiday

Fabric makers have the traveller in mind, says Brenda Polan

Fashion writers are notorious practitioners of the "do as I say, not as I do" school of counselling. Think Pink And Frilly This Season, we trumpet before investing in yet another black trouser suit. Real Women Wear Stripes, we insist, shuffling our comely Bush-Puppled feet.

One of the worst myths we tend to propagate concerns the capsule wardrobe which, for a holiday or a working trip, folds neatly into a carry-on bag and works brilliantly in endless smart permutations. As for that advice, it is doubtful if a few minutes hanging in a cloud of steam over the bath.

And then, thanks to a prevailing passion for texture, there are clothes with built-in crinkles and primitive pleats. Best-known in the latter category is Issey Miyake's Pleats Please collection, featherlight, permanently pleated polyesters in simple shapes and a multitude of colours, plus a couple of prints per season which can be mixed in different ways - and they are machine-washable.

Because these clothes manage to be simultaneously fashionable and slightly outside fashion they have extraordinary longevity, serving as much-loved wardrobe basics for years.

Lesley George's pleats are more adventurous than Miyake's. They are sexier and there are more fashionable cuts and a greater variety of colours, textures, fabric weights and pleating effects. Scrunched-up, they pack as tiny as anyone could desire. Other designers, too, have worked with crinkled fabrics, including Christina Kim of Dosa, who has achieved deliciously pretty effects with pure silk.

Tracy Felth, an American designer whose deceptively fragile-looking dresses are new to Browns in South Molton Street, also works in silk which has been treated to

transport our clothes, if only on holiday, and we don't have the time or inclination to iron them when we arrive. What's more, we don't have to.

Many of the new textiles, some of them synthetic mixtures and some inspired cocktails of natural fibres and yarns grown in a laboratory, are uncreasable.

A tiny percentage of Lycra, for instance, bestows a disproportionate degree of resilience to a fabric. Its structure can also combat creases. Knitted viscose, for instance, only creases if seriously abused and, even then, it responds well to a few minutes hanging in a cloud of steam over the bath.

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From left to right:

■ Navy/white print silk halter-neck wrap dress, £180, by Diane von Furstenberg from Browns, 22-27 South Molton Street, London W1 tel: 0171-481 7853. White straw tunic, £19.95, by Dollargrand from Fenwick, New Bond Street, London W1 tel: 0171-623 9161.

■ White cotton/linen trousers, £255, by Jil Sander at Browns, as before. Seple rayon/nylon silk knit cardigan, £89, from Episcopa, 172 Regent Street, London W1 and branches tel: 0171-389 4278. Beja

cashmere, £185, from Fenwick, as before. Nylon/leather fold-up travel bag, £74.95, by Longchamp from Fenwick, Knightsbridge, London SW1 tel: 0171-730 1234. Suede loafers, £95.00, from Russell & Bromley, 24-25 New Bond Street, London W1 and branches tel: 0171-623 9203. Brown sunglasses, £28, by Fabria Lane from Harvey Nichols, Knightsbridge, London SW1. Stockist inquiries tel: 0181-974 1842.

Watch, £2,430, by Chauxnet, 48a Sloane Street, London SW1 tel: 0171-245 0045.

■ Bronze silk caftan, £26, by Dosa from Browns. Polyester pleated trousers, £125, by Lesley George from Fenwick. Ginger straw bag, £20, and matching hat, £20, both by Helen Kaminski from Harvey Nichols, as before. Ginger leather gladiator shoe hoop sandals, £175, from Gina, 188 Sloane Street, London SW1 tel: 0171-235 2932. White gold ring, £830, by Chauxnet, as before.

■ Blue multi-print silk slip dress, £135, by Tracy Felth from Browns. Pale lemon silk hooded kitten-heeled mules, £175, from Gina, as before. Fold-up bags by Longchamp from Fenwick, as before.

Photographer: Chris Grou-Smith
Stylist: Linda Leeming
Make-up: Karen Lookyer at Michaeljohn Management
Hair: Peter Forrester for Daniel Galvin
Model: Lisa Butcher at IMG

render it uncrushable. A Texan, who started his career in fashion on a quest to make the perfect slip dress for his girlfriend, Felth loves hot colours and Rajasthani prints and provides slinky bias-cut slips to layer beneath his diaphanous little dresses.

Tanya Sarne at Ghost uses a different approach. Her fabrics are a mixture of synthetics, often containing viscose, polyester and nylon, which are brutally shrunk to

give the finished material an unusual density which ensures that it clings and hangs in a flattering, sensuous way.

Many are embroidered or given another kind of textural interest, and all are machine-washable. If you are a perfectionist, you may prefer them ironed but, as long as you don't wring them out too enthusiastically, they don't really need it.

Knitted fabrics, as they

were last season, are an important element of fashion collections for the next. The newly revived Diane von Furstenberg cross-over dress (a rave from the 1970s style) owes its legendary cling to the jersey it is made from - whether in cotton, viscose, polyester or silk.

And you really have to try hard to crease it. But all modern-minded designers have whole-capsule wardrobes of silky knit pieces, some semi-transparent

(which layer seductively), some matt, and all of which hang beautifully and feel light and easy to wear. Betty Jackson's and Donna Karan's are among the best, but they are also to be found in most good high street collections.

There are, of course, a few travellers' tips to be learned from fashion editors. For instance:

□ Always pack a capacious fold-up nylon bag: you always go shopping and a raffia basket from the local market looks silly on the aircraft and is not secure in the hold.

□ Never take new shoes: only those you have broken in and now feel like gloves. But do take several pairs.

□ Take a pashmina for chilly evenings and draughts on the aircraft.

□ As long as you have a belt, you can do anything with a sarong-sized length of fabric, so take the lengths that you bought last time

and add to your collection: □ Don't take valuable jewellery. If you're on business, minimalism is fine and, if you are on holiday, buy some cheap and cheerful local jewellery. Ethnic is in.

□ If you need a sun hat, buy the cheapest local version - and junk it when you leave.

□ Have your hair cut into a wash-and-go style the week before you fly. Once you have made that iron redundant, the hairdryer starts to look unnecessary, too.

Summer in the Hamptons used to be about picnics on the beach and leisurely afternoon sipping beer on the porch.

Cars (and houses) were weather-beaten, clothes were casual and shopping consisted of a quick sprint to the A & P followed by a barbecue at home. Exercise was confined to the tennis court or the daily half-hour walk by the ocean with the golden retriever.

Today, the Hamptons is about \$4.50 fat-free cappuccinos from the Barefoot Contessa, helicopters and celebrity spotting. Since sunbathing and eating (for reasons other than networking) are forbidden in this relentlessly fashionable resort, the only thing left to do is exercise.

There is no need to visit Los Angeles or New York City to find out how Americans are exercising because almost anyone who's anyone in LA and New York spends the summer in the Hamptons. There are almost as many personal trainers and yoga instructors as there are moguls around here. Reservations at the Zone, America's only studio dedicated to "spinning" (indoor cycling), and Lotte Berk's exercise classes in Bridgehampton are hot commodities.

To get into the gym of Alexis Stewart (Martha's daughter) in East Hampton, you practically have to flash an actors' union card. Beaches are almost bare (the only sunbathers are those trying to glimpse a celebrity), but try to book a \$180

Where spirituality meets Lycra

In the fashionable Hamptons, the only thing left to do is exercise, observes Helen Kirwan-Taylor

message at noon at Watermill's holistic beauty spa. Naturopaths, and you'll be told to try again next month (East Hampton Gym, Fifth Avenue, East Hampton. Tel: +1 516 324 4499).

Yoga has taken the Hamptons by storm. This wouldn't sound quite so funny if it weren't for the fact that these hanging out with their personal yogis, talking yamas and niyamas, are the same guys who buy and sell multinationals before breakfast. The private yogis, some of whom charge as much as \$240 for their services, are not unaware of the irony.

Deansin Parker, a psychoanalyst and founder of the Goodson Parker Wellness Center in New York City, like most of the yoga teachers here regards the craze as a symptom of a growing change of attitude in the US. "You cannot buy peace of mind," says Parker. "If you're stepping on people all day, you can't get away from the fact that you're a nasty person by doing meditation or yoga. But just learning to relax is a big step forward."

She attributes the surge of interest in yoga to America's search for meaning. "The question is: is it OK to make millions of dollars? Who needs another house? So much stuff makes life meaningless and competition makes people crazy." "People feel something is

missing in their lives," says Sharmila Cohen-Gold, a yoga teacher and holistic masseuse to many a star based in Sag Harbor. "I always remind myself and others that money doesn't make you a better person."

The very youthful fiftysomething founder of the yoga-on-the-sea movement in the Hamptons is aware that yoga's integrated psychology is part of the appeal. "Instead of calling a therapist, I say take a deep breath." In her time, she says, "I have seen many tough asses soften" (tel: +1 516 725 4995).

The most "in" yoga programme in the Hamptons is at the Hayground elementary school in Bridgehampton. Run by the dishy John Seelye, this is where spirituality meets Lycra. Seelye mostly looks after his personal clientele (yes, the supermodels), who pay \$75 and upwards for his time (tel: +1 516 329 0172).

There is excitement in the air because "Tesh", the man who invented America's newest fitness craze, contact yoga and yagassaga, and who personally looks after Donna Karan, Demi Moore and Woody Harrison, is coming to town to host a workshop at the Hayground.

Tesh (a.k.a. Ken Scott) has done the usual American thing - he has taken an ancient form of something and commercialised it. Con-



tact yoga, which is done with a partner, is not only fun but a great way to meet a managing director from Goldman Sachs. Needless to say, Seelye and many others are incorporating contact yoga into their weekly programmes.

Directly across the potato field from where Seelye's clientele is working up a spiritual sweat are the Lotte Berk "starve and tone" brigade.

The husband and wife team Elisabeth Halpapp and Fred DeVito, who manage the Lotte Berk Method franchise in the US, are famous for creating the Berk Seat and the tight pelvic girdle (students write to thank them for improving their sex lives).

A combination of yoga,

ballet, modern dance, callisthenics and orthopaedic stretches, the method has been around for about 28 years but has attained cult status because of the growing disillusionment with gyms and the injuries associated with running and aerobics.

At \$25 a session (less for a series), the Lotte Berk Method is definitely for ladies who lunch (though on what exactly, you have to ask yourself). But this seemingly gentle form of exercise is still exercise with a capital E. Halpapp and DeVito punctuate their classes with expressions like, "You are an athlete in training".

Clenched teeth and shaking limbs are *de rigueur*: steady determination resides behind all the tight leotards

and nose jobs (Butter Lane Barn, Bridgehampton, tel: +1 516 337 8290).

Even though Halpapp calls the Lotte Berk Method the "Tai Chi of the west", many of her disciples grab their bags, jump into their Chevrolet Jeeps and head for East Hampton for a wild aerobic ride at the Zone.

Run by 34-year-old Dacey Erik, indoor cycling (also known as spinning) is all the rage. The Zone, strategically located above East Hampton's most fashionable clothing store, Calypso, contains 47 stationary bikes, each equipped with a 38lb flywheel.

Pioneered by Johnny Goldberg in California, spinning has become another American addiction. Eyes closed and poised at 45 degrees,

spinners set off, to very loud music, on an imaginary course determined by the teacher (the bikes are adjusted to stimulate going uphill or downhill).

"Spinning is about finding your centre," says Erik. "It's about you and the flywheel. It's not about competition. You don't have to win this race."

At the end of the \$18 "ride" students don't clap. "I'm your tour guide," says Erik, "not your babysitter." (Newton Lane, East Hampton. Tel: +1 516 329 8622.)

For the truly intrepid, the most "in" workout is "Team Training" in some circles and "Raw or Trek" in others. The pioneer of the method, Bryan Visina, takes his clients out for "a real spin".

Students (in the Hamptons) run on the beach, then jump on a mountain bike, swim 100 laps, practise yoga postures and finish with a kick-box session, for a fee of \$75 an hour.

Visina's outdoor/back-to-nature approach to physical fitness is a runaway success.

His group, Baraka, has doubled in size and he is looking for a permanent summer headquarters. "The Hamptons has so many resources," says Visina, "you can kayak on Georgia pond, then go into the ocean to weather the waves."

What makes his approach unique is the fact that

clients alternate between trainers, some of whom are ex-boxers and yoga teachers. No workout is ever the same (tel: +1 212 853 0667).

If it all sounds too much, then Alex Stewart's gym in East Hampton is probably the answer. The swanky space, dotted daily with fresh flowers from Martha's garden, boasts the latest equipment and latest stars (Cindy Crawford is a regular visitor, as is Martha). It's the perfect setting for the mogul and his personal trainer (who is never more than 2ft behind) to seek relaxation among other beautiful people and their personal trainers.

The mind/body connection is what fitness is all about these days. Millions of US baby-boomers who grew up as the fitness craze began are now worrying about injuries in their impending old age (in the US, old is 45).

"The 'Wellness' of the future is about using your own mind," says Deansin Parker. "People today are much more aware and knowledgeable about their bodies. They are aware that beauty comes from the inside."

But in the Hamptons, one could argue, beauty comes from the pocketbook. If you add up the price of the yogi, the masseur, the Lotte Berk series, the new \$1,800 stainless steel spinning bike designed for home use, we're talking big money. And that's before the diamond studs, the manures, the \$4.50 fat-free cappuccinos and the house on Lily Pond Lane.

Living

How I sold

How I sold

How I sold

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15/05/2022

Robin Lane Fox is comfortable with a decade of invention

Revivals can be as effective as new imports from the wild. So many new types of *Crocemia* have now appeared that I cannot distinguish between

We have also been slow to wake up

to the New Game and Hot column on August

Other new arrivals are hybrids with relatively modern names. Some garden-

Gardeners with an eye for new arrivals can now shape, colour and design a whole string of plantings which were previously impossible. When the constituent parts change, the whole art changes with it. Architects are still playing around with the same hard surfaces and glittery reflections of daylight. The planter's eye view has moved furthest and, against the odds, it is gardening, not designing, which has proved the more adaptable:

in Murrayfield, around the rugby ground, houses now sell for £750,000 to £1m, says Charles Dudgeon of FFSavills, allowing vendors to move out of the city and put their money into a good property in the Borders — "the sort of place that went for £400,000 in 1990, £300,000 in 1992 and is now £500,000 to £800,000".

But, Dudgeon cautions, the Scottish housing market is still patchy. The Highlands and north-east are slow, except on "royal" De-



The price of rarity



In Kidderminster in Worcestershire, Oakhill (54 Hill Grove Crescent) is a good example of the Arts and Crafts style, designed by CFA Voysey in 1898. With a grade II listing, it costs £340,000 from Andrew Grant (1806-24477).

Sixteen years older (1883) is a substantial Victorian house - with tower and rich polychrome brickwork - in Hereford. Easton House (56 Bodenham Road), with its walled garden and seven bedrooms, looks excellent value at £265,000 from Bill Jackson (01432-344779). At Pembridge, Herefordshire, the agent is selling half-timbered Kings House, with five bedrooms, for £189,550.

Tel: 0171 493 0676

August Incentive to Private Vendors

the 1990s, the number of people in the world who are illiterate has increased from 1.2 billion to 1.5 billion. The number of illiterate people in the world is expected to increase to 1.7 billion by the year 2015. The number of illiterate people in the world is expected to increase to 1.9 billion by the year 2020. The number of illiterate people in the world is expected to increase to 2.1 billion by the year 2025. The number of illiterate people in the world is expected to increase to 2.3 billion by the year 2030. The number of illiterate people in the world is expected to increase to 2.5 billion by the year 2035. The number of illiterate people in the world is expected to increase to 2.7 billion by the year 2040. The number of illiterate people in the world is expected to increase to 2.9 billion by the year 2045. The number of illiterate people in the world is expected to increase to 3.1 billion by the year 2050. The number of illiterate people in the world is expected to increase to 3.3 billion by the year 2055. The number of illiterate people in the world is expected to increase to 3.5 billion by the year 2060. The number of illiterate people in the world is expected to increase to 3.7 billion by the year 2065. The number of illiterate people in the world is expected to increase to 3.9 billion by the year 2070. The number of illiterate people in the world is expected to increase to 4.1 billion by the year 2075. The number of illiterate people in the world is expected to increase to 4.3 billion by the year 2080. The number of illiterate people in the world is expected to increase to 4.5 billion by the year 2085. The number of illiterate people in the world is expected to increase to 4.7 billion by the year 2090. The number of illiterate people in the world is expected to increase to 4.9 billion by the year 2095. The number of illiterate people in the world is expected to increase to 5.1 billion by the year 2100.

PROPERTY

Tender loving care on Cornwall's coast

America's biggest house is being built beside the sea. It's not so easy in the UK. Anne Spackman reports

On the shores of the Hamptons at Sagaponack, a New York millionaire industrialist is creating what appears to be America's largest private house.

At 100,000 sq ft, the complex will be more than twice the size of Bill Gates' new home in Washington state and a quarter the size of Buckingham Palace.

For the industrialist, Ira Rennert, and his wife, it will presumably be a dream home. But one man's dream can be his neighbour's nightmare. Many who moved to the Hamptons for the simple pleasures of a verandah overlooking the water wish Fair Field could remain a site for growing potatoes.

In the UK such a project would be unthinkable. Unspoilt coastal locations are considered to be public property. The ambitions of individual owners are curbed by environmental orders preserving their beauty for the general good.

It would be impossible to obtain planning permission to build a new house on a greenfield site overlooking the sea.

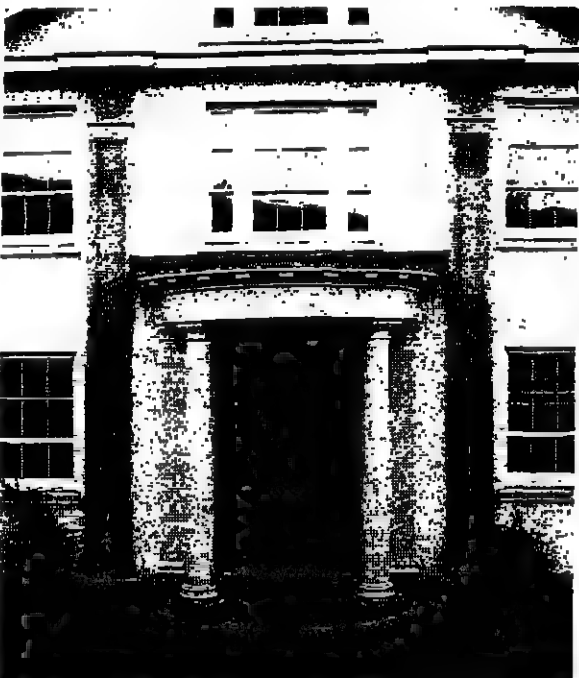
But that does not stop people from wanting a Hamptons-style beach house in England. They simply have to adapt their ambitions to a different set of rules.

The chances of buying an impressive period house are quite remote. As Martin Lamb, who runs Knight Frank's operation in the West Country, points out, large houses were traditionally built inland to avoid sea winds and waves.

But the odd gem does come up for sale once or twice a year in Devon or Cornwall. Knight Frank is currently selling Havenclyffe House by the sea at Axmouth in Devon. Together with Miller it is selling Pen-



Bay watch: planners and neighbours were no problem



Regency elegance adapted on a 1920s house

are House at Manaccan, with a lane leading down to a cove. Both houses are priced at £750,000.

For those who want to create their own house, the only option is to buy an ugly

property, knock it down and start again. Marchand Petit in Kingsbridge has a couple for less than £400,000 which might fit the bill.

Such a course was taken by Gavya Davies of Goldman

Sachs, and his wife, Sue Nye, who works in the office of Gordon Brown, the UK chancellor. They replaced an eyesore, a Victorian hotel on the north Devon coast, with Baggy House, a contemporary, award-winning home.

That was ultimately the strategy used by David Halsey in Cornwall, though he never expected it to turn out that way.

When he sold his yacht charter business in 1989, Halsey began looking for a house where he could keep his boat outside and which provided beautiful views for his companion, Cornelia. Three years later they found the perfect location, on the Fal estuary.

But a survey of the 1920s house on the site determined that their only choice was to pull it down. Thus what had originally been seen as a six-month restoration became a full-time obsession.

Given the prominence of the position, Halsey was determined to build a house that was aesthetically pleasing.

He was equally determined to make it environmentally sound. It would have to suit a modern lifestyle, yet last for hundreds of years. "I was adamant it could be done," he says.

The result is a property described by Country Life magazine as "an appropriate architectural response to its situation and a model for a 1990s country house".

From the inorganic paint on its walls to the organic gardens, it is uncompromising in its adherence to best environmental practice. Yet from across the bay, surrounded by mature trees, it looks like a well-preserved Regency villa.

This was a particularly important consideration for Halsey. "Plate-glass windows might be nice for us to look out of, but they would have been awful for other people



Full flowering of a 1990s country house: David Halsey's Cornish home after around £1m was spent on refurbishment

Picture: Country Life

to look at," he says. At a local prize-giving he explained this attitude to his new neighbours.

Neither they nor the local planners have been a problem. Indeed, Halsey says the council officers shared the same objectives as he and his architect, Digby Harris of the Yorkshire practice of Frances Johnson. Since his architect was so far away, Halsey chose a local firm of surveyors to oversee the project.

He also took the precaution of taking out structural defects insurance. "That was vital. It allowed me to sleep at night," he says.

Many of his materials were sourced through the

Association for Environment-Conscious Building. Thus the double doors, which lead from the hall through to the dining room, with its three windows overlooking the bay, are of Brazilian cedar approved by the Worldwide Fund for Nature.

Some of the details simply took time and determination to get right; others took money. The house was nearly three years in the making.

On top of the original price of the property, it cost around £1m to build the new house and landscape the grounds.

"I haven't added up exactly what it cost me,"

Halsey admits. "Whether it is £800,000 or £1.2m, I couldn't really say. But what I do know is that I haven't skimped on the construction. Where I have cut back is on details in the kitchens and bathrooms."

With the house came 30 acres of land, running from fields on the hilltops, through gardens which had to be reclaimed from wilderness, down to rocks at the seashore. Sixty tons of granite had to be brought down the narrow, bumpy drive, just to support the sea walls. Much of the cost went into invisible, but vital, features such as that.

Halsey's Cornish house is around 5,000 sq ft - typically

the size of a small English country house or a traditional Hamptons beach house. He estimates that professional fees made up around 10 per cent of the cost - a figure which corresponds to that suggested for such a project by Asbe, the domestic architects' network. Julian Owen, director of Asbe, says architect's fees would be between 7-10 per cent for a large house, with construction costs of between £45 and £80 a square foot, depending on the quality.

The result of all the work and expenditure has been the addition of a good house to the landscape, without taking anything away.

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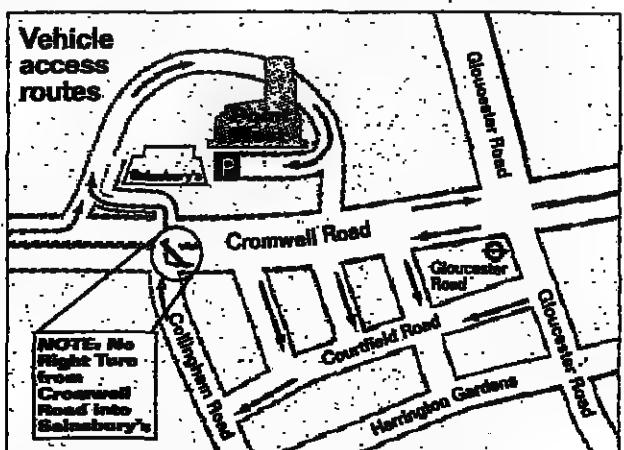
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TRAVEL

An older tradition of battle with the cruel sea

Richard Donkin looks back to a more swashbuckling age

The wind was gusting to force eight, the first mate up to his waist in water as he clung to the bowsprit securing the sails. It was a real Biscay blow, short enough to smile about afterwards, but fierce enough to remind us all that the sea and the weather make powerful adversaries.

The gales had wrought sufficient damage to force the withdrawal of some of the 38 traditional sailing boats competing in the Cutty Sark Tall Ships Races out of Falmouth. We saw one yacht, its mast buckled and rigging broken, motoring for the haven of La Coruña in northern Spain.

Our own damage was mostly repeatable, but the giant rip in one of the square sails would have to wait until Lisbon, the finishing port of the 740-mile first race of this year's series which ends in Dublin later this month.

The wind had whipped up in the small hours for the past three nights. On every occasion I had been off watch, sleeping blissfully in my bunk.

"Anything happened?" I ask my cabin mate, as he returns from his watch.

"Well, first we blew one of the square sails, then we pulled down the flyer which had been holed, the sheets snapped on another sail and one of the lower shrouds snapped. Oh, and the main-sheet block has broken. Apart from that, it's been a quiet night," he says. That's the lot of the watch system. Some get all

the excitement; others get all the sleep.

This had not been billed as a snooze cruise. Furling the square sails of a tall ship is hard labour needing many hands, which leads to cramped conditions below. It was with some surprise, therefore, when shown my cabin on the Netherlands-based Swan Fan Makkum, the world's largest brigantine, that I found it had an en suite shower and lavatory with wardrobe, washbasin and matching duvet and pillow.

The main sail is hoisted on an electric winch, the square sails are furled from the deck using a pulley system and the boat is steered by authelm. Willem Sligting, the captain, had commissioned a boat capable of winning the event, but he wanted to win in style.

There were occasional jobs. If you stood around on deck long enough, someone would ask you to hold the end of a rope and sooner or later they would ask you to haul on it. But when taking the demands became less strenuous.

The captain was gentle on his trainee crew, half of which, according to the race rules, had to consist of young people between the ages of 16 and 25. "We run a three watch system, four hours on and eight hours off, but if you don't want to get up for your watch, that's OK," he says. Widespread sea sickness in the first 48 hours ensures many are obliged for the dispensation. Rough weather, however, need

not equate with rough living. The boat, built five years ago at a cost of £1.5m, has a spacious dining room with a ballroom-style staircase to the lounge and library with wicker chairs, flower displays, television and hi-fi. There is beer on tap in a bar which Berry Brothers & Rudd, owner of the race sponsor, has stocked with its wines and Cutty Sark whisky. To ensure the race did not become a booze-and-snooze cruise, drinking was limited to an evening happy hour while sailing.

But the most effective weapon in the on-board armoury, hidden in the bowels of the ship, is Rimi Hoogenboom, the cook, who is able to combine the abilities of a *cor don chef* with those of an acrobat, creating and serving imaginative dishes while the boat, at times, is heeled over as much as 30 degrees. A 10th line

caught tuna is promptly converted into steaks and sushi.

Watching Krusenstern and Mir, the great Russian four-masted ships, heading towards the starting line in Falmouth with sailors standing on the spar, you can understand why tall ships racing is seen by some countries as an ideal form of training for naval ratings.

The life can be harsh and, just as in the days when clippers raced each other home with tea from India, people do fall.

Except for the occasional jammed sail or repair, there is little need to climb the Swan Fan Makkum's 120ft high mast. But it had to be done, if only to experience the view from the top platform. Half-way up I felt like a fly on a spider's web, wide-eyed and desperate, but the fear subsided

surprisingly quickly. There is plenty to cling to. A sweep of the seas revealed a pagoda of sail on the horizon as a fellow competitor drew closer.

Anyone on the bridge of a cargo ship heading northwards west of Portugal, France and Spain could have been forgiven for assuming they had fallen into some kind of time warp. The sea was dotted with sails, tiers of billowing canvas.

There is nothing like the sight of a tall ship in full sail to put the swash into buckles. The only thing missing was the odd cannonball across the bows. Our own flying Dutchman was sailed by a core crew bred on a strong naval tradition that caused a number of historical embarrassments to the British. There was none so audacious as Michael de Ruyter, the 17th century Dutch admiral whose squadron sailed

up the Medway in 1667, routing the defensive chain draped across the estuary and delivering double broadsides to the British ships moored on either side of the river before turning and sailing back unscathed.

"Every Dutch boy learns this at school," says Sligting. Today, the competition is more friendly but the urge to win is just as strong. With two days remaining in the first race, and only Mir among the large boats ahead of us, Sligting, acting on "local knowledge", sails in towards the coast and loses the wind. Krusenstern and one or two others well out at sea, cruise past us in the night.

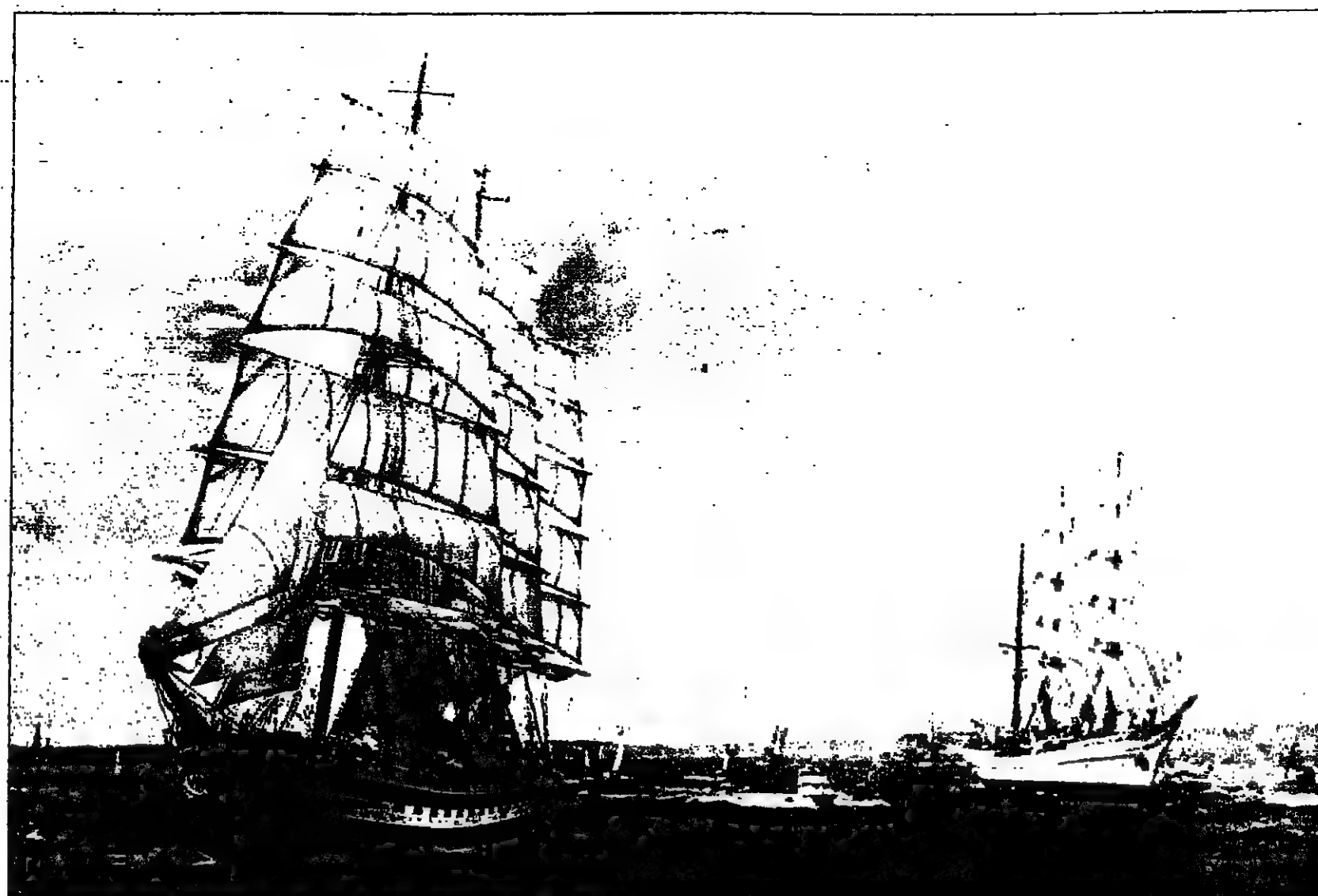
"Never mind," says Sligting, who, at 41, has been sailing traditional ships for the past 20 years. As the wind begins to whiten the tops of the waves once more, a contented smile returns. "The

most exciting part about sailing big ships is that the whole machinery comes to life. You can't stop it. There is no brake, no clutch, no gearbox. You have to work together with it," he says.

"I have enormous respect for people who do the round-the-world yachting races but I would never do it."

Once beyond the finishing line, the happy hours become happy days with cocktails on deck and food fit for the gods. The captain is a happy man. With a deep sigh of satisfaction, he says: "This is sailing how the good lord meant it to be."

Richard Donkin sailed on the Swan Fan Makkum as a guest of Cutty Sark Scotch whisky, sponsor of the races. The Swan Fan Makkum is running cruise holidays later this year and early next in the Seychelles. Tel: +31 515 231712.



Not a snooze cruise: furling the square sails of a tall ship is hard labour needing many hands

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TRAVEL

Botany with Bellamy

Arnie Wilson takes to the Alpine nature trails

They were ready to send out a search party when botanist David Bellamy, and the group of amateur enthusiasts he was leading through the French Alps, failed to turn up for tea.

Henrietta, his daughter, had made a delicious orange and sultana cake for them. It sat unconsumed on the table of the Chalet Soudanella. "I hope Dad hasn't got lost," she said. "He wouldn't take a map."

Not a bit of it. Although he had never led botanical walks in France before, Bellamy - a familiar sight on British television screens - had been totally absorbed with the pleasure of doing what he loves best: telling holidaymakers all about the local flowers and plants, all the while scrambling right up to the snowline in the Alps.

As the sun dipped on the Tarentaise Valley, Bellamy was in full flow, his companions as oblivious as he to the tempting smell of dinner - pork-chops marinated in honey - waiting up from below. "This is Treacle Mustard. And that's Beech Fern. See how it begs like a dog. There are eight species of lichen on this little rock. This is Birdseye Primrose. And that's a Great Spotted Orchid. And look at this - Good King Henry! In Henry VIII's time, this was eaten as spinach. You won't get scurvy with this - but your hair will probably fall out."

Bellamy had been studying plant life in the mountains high above Sainte Foy, where his daughter and her husband live, before unleashing himself on paying guests.

"Do you think they'll be experts?" he had queried to Chris and Lesley Barron, who had entertained the amateur botanists at their charmingly restored 16th

century chalet - named after the purple Soudanella flower - high above the valley.

He need not have worried. For hours Bellamy reeled off the names of dozens of alpine plants and flowers. "Now here's an interesting plant - *Rhizocarpon geographicum*. And this is fascinating - Spiked Rampon - I've never seen that variant before. It is great fun to see such an enthusiast at work."

"That's *Arctostaphylos uva-ursi* - very good for FMT. And this is the bra plant, *Biscutella laevigata*, so-called because it looks like the top half of a bikini. And here's some Ladies

As we climb, superb views are revealed across the valley of the glaciers

Maudie. It's meant to make you beautiful."

We reach Le Monal, a tiny, idyllic, virtually unvisited alpine hamlet which, we learn, is the most photographed village in Savoie. Bellamy and Rosemary, his wife, live in a tiny hamlet in county Durham. "But it's not quite as picturesque as this," he says. He strides on, at 65 years old surprisingly fleet of foot.

As we climb higher, superb views are revealed across the valley of the glaciers of the Dome de la Sèche. The library continues. "Alpine Thistle. Giant Alpine Daisy. Yellow Rattle. There is a beautiful clump of Alpine Fensies. And look here - this is the Great Yellow Gentian. It's very bitter - the second most bitter plant in the world. Purple Loosestrife - that keeps the bugs out of your bed. And look - this is Ladies Bed-

straw. No, not 'bedsore', he corrects me as I scribble frantically. The list seems endless.

The botanists are delighted. "The thought of going to a beach for a week does nothing for me," says Andy Primmitt, a careers adviser from Corby in Northamptonshire. "I've really enjoyed this, though. And I didn't expect the food to be so good."

"He's got the most tremendous eyesight, hasn't he?" says Stanton Bull, a lawyer from Sussex. "He can spot a broken petal a mile off."

Just occasionally, however, even the master looks blank. "I hate finding plants I have to look up," he says. They turn out to be the Hairy Primrose and the Alpine Red.

Life with Bellamy is not all flowers. "Those marmots were gigantic," says Stanton, over dinner. "Are you sure they weren't sheep?"

"They must build enormous burrows," says Bellamy. The following day, he continues at a similar pace. "Now look at this," he says. "*Equisetum sylvaticum*. They used to grow 90ft high. Dinosaurs used to eat them. Look at all this Monk's Rhubarb. See how it elbows the alpine plants out?"

What sort of plant, I wondered, would David Bellamy like to be? "Yeast," he said cheerfully. "They make alcohol, make people happy. And have plenty of sex."

Spring and summer Alpine botanic expeditions in the Upper Tarentaise Valley - some led by David Bellamy - are organised by *Momentum Travel*, The Studio, 178c New Kings Road, London SW6 4RA. Tel: +44 171-371 9111.

Arnie Wilson flies with *Swissair* which flies from Heathrow to Geneva four times a day. For flight details, tel: +44 171-434 7800 or swissair.uk@a-mail.



Botanist David Bellamy: commissioning tremendous enthusiasm for his subject

British Breaks Quirk and charm

Hotly, Britain is resisting the trend towards treble-digit temperatures that require treble-digit sun protection factors in your sun cream: cool Britannia indeed. Here is a land where you can still take an individual break - the days in great museums or small villages, the night in non-mass-produced rooms.

Some of the quickest British holidays can be spent with the Landmark Trust, a charity which pays for the rescue and restoration of historic places by letting them to guests. Perhaps the best known is the Pineapple in central Scotland, a big 18th century summerhouse with a fruit-shaped tower. But there are plenty of others, many unusual and some extraordinary.

The Egyptian House in Penzance has trapezoidal windows and lotus bud capitals. The Great Hall in Somerset was the hall of a manor house in 1400. The Pigsty in Robin Hood's Bay, North Yorks, really was a sty, a human-sized one with Doric columns. All have proper bathrooms, but no microwaves, TVs or telephones. Rentals are available by the week in summer; shorter breaks at other times. Prices vary widely. Call +44 01828-82525 for a big brochure - £2.50, refunded on booking.

If you fancy staying in a 17th century house in uncluttered countryside, try Hagdorn Manor Country Hotel in Devon: hosts Gill and Tim Casey rescued it from dereliction, and take just 14 guests at a time. Meals are eaten: dinner-party style around a single long table. A friendly place, it feels remote - but you can see Dartmoor in one direction and the Cornish coast, with its surf and its subtropical gardens,

is as close as 15 miles to the other. Tel: 01809-21200, double rooms from £25.

To tour the country in style, stay at *Chatterbox* Manor Hotel in the Cotswolds and get in the mood of morning in a choice of one - Jaguar, Porsche, 1800 cc, 1800 cc and half-hour, 12.50 per hour, three nights for two, £100. Martin and Patricia stay. Call 01826-51000.

Something even more active, perhaps? Guests at *Glenside* in Scotland will find a shooting school, a falconry school and an equestrian centre on the estate; lots of walking nearby... and 18 golf courses within 20 miles. Take an apartment (three four) from £770 a week. Book through *Sporting Holidays*, +44 01747-900 8383.

Or you could try something new. Learn to fish, for instance, on a weekend course (September 25, from £180) with *Goldenrod* details from 0161-238 8205. Take a culinary day out on the *Orient-Express* on September 10: travel on the luxury train from London to Southampton (with champagne brunch) for a cooking demonstration at *Beaulieu* by TV chef Gary Rhodes. You eat it on the return trip. Book on 0171-606 5100, £250.

But if you've had quite enough activity during your working year, sound the retreat. Take a break from pressures at *St Columba's House* in Surrey. Not quite your traditional retreat - relaxing rather than austere, spiritual rather than religious, no faith required on your part - it offers calm, comfort and rest for contemplation. One-night stays cost £28.50, including meals. Details from 01493-796495.

John Westbrooke

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TRAVEL

City Break/Bill Gienton

The splendour of Georgian Dublin

As the well-lubricated man in the bar told me with inimitable Irish logic: "Sure, Dublin wouldn't be the same without them being there to make it so different."

Somewhere amid a dark whirlpool of Guinness, we had been swept into a discussion of the city's finest tourist attraction - its great Georgian houses. I had praised the way they had been so well preserved when other towns and cities had been turned into concrete jungles.

His answer sounded as contradictory as before. "Ay, tis grand thanks to them making such nice offices."

Yet he made plenty of sense. Strolling around Dublin's gracious squares and broad Georgian streets, it was obvious that commerce more than conserva-

tionists deserved praise for their preservation. The city's Georgian heritage was in trouble until a few years ago when many business people, from accountants to pop group entrepreneurs, appreciated that the hundreds of four-to-five storey buildings would make good, central offices.

Yet if the facades paint an appealing picture of a more gracious era of horse-drawn carriages and oil lamps, the interiors speak more of today's electronic wizardry. Computers have replaced the Chippendale and there are photo-copiers

in the bullers' pantries.

My appetite was whetted for a more fulfilling, more liveable Georgian experience. Was there nowhere in these long terraces where one could enjoy being part of their history and not just a spectator?

I was hardly likely to satisfy my yearning in the Computer Training Centre and I certainly was not eligible for the Young Priests Society. My sympathies went out to Oscar Wilde making a sculptured return to Merrion Square, where he had spent his childhood at No 1. Reclining on a large rock in one corner of the

square's fine gardens, he seemed to be gazing ironically at his old home nearby, now the American College.

It was a pity I did not qualify for legal aid since there are scores of lawyers' offices - so many it must suggest that the Irish Republic is one of the most litigious countries in the world. But it was a solicitor who proved my salvation, and that of many other visitors in search of a more rounded Georgian experience.

In 1997, Ann Neary boldly stormed the office barricades by buying, at great cost, No 31 Mer-

ion Square and converting it into the only guesthouse to have this 250-year-old, five-storey stately building - a former lawyer's office no less - has comfortable rooms for 40 guests.

Out went the filing cabinets, and in went traditional furnishings. If not strictly Georgian, the interior at least gives visitors a richer historical experience. "We have done excellent business ever since we opened," Neary said. "Being part of the Georgian scene is undoubtedly a big attraction - especially in such a central location."

Several of the guests I met during my overnight stay had preferred the guesthouse to more modern hotels. Most visitors, however, will have to be content simply strolling around the Georgian streets, perhaps taking one of several walking tours. Dublin is what Americans call "a walking city", although many might also scorn it as "a smoking city". I have never seen so many cigarette ends lying in the streets as there are in Dublin. The litter mars an otherwise pleasant capital.

Still, there is much remaining that Molly Malone would surely

recognise. Yet did I trace a certain wishfulness in the sculptured face of the locally nicknamed "tart with the cart" as she faces up Grafton Street? Now a pedestrian precinct, this once most classy Dublin shopping venue has succumbed to the rash of typical high street shops. Cockles and mussels have been replaced by McDonald's and Burger Kings.

However, the city remains much the same vibrantly human place it was in the author James Joyce's time, with friendly and helpful inhabitants. Asking directions can have the double bonus of leading to good "craic" with complete strangers. Needless to say, visiting a bar is usually a sure way of finding companionship.

Information: The Irish Tourist Board, 150 New Bond St, London, W1Y 0AQ. Tel: 0171-993 3201.



Hitting the high spots...

...or not, as the case may be. Kevin Pilley visits a hotel for tall travellers

The world just isn't big enough. That is about the size of it, according to tall people, going on holiday is a big pain in the neck.

Holidays are largely designed by - and cater for - ordinary-sized people. But there is a big market for "Tallie Only Tours". More than 1.5m people in the UK, 8 per cent of the male population, are over 6ft 3in and the average population height is reported to be increasing at a rate of 1/4in a decade. More travellers are therefore likely to suffer from altitude sickness.

You do not have to go up the Alps to get altitude sickness. You can get it in your hotel room. You can even get it sitting on the lavatory. To a very large extent, facilities just do not measure up.

Most holiday destinations are ergonomic disaster zones and a huge let-down. Dutch hotelier Paul Rinkens, a mere 5ft 11in in his unclipped

feet, is the proprietor of the Bergrange Hotel in Maastricht, which is said to be Europe's first, and so far only, hotel catering for tall people, offering the first long-legs, long weekend break.

He has made a big effort to design the hotel with the needs of tall people in mind and offers special tailor-made packages for guests measuring over 6ft 5in (2 metres). The receptionist does not get a tape measure out when you register at the Hotel Bergrange, but all the door frames are wider and higher than normal.

Room 40 on the ground floor is a tall suite and is equipped with a raised shaving and bathroom mirror, adjustable shower and writing table as well as an extra long bed and bath. The restaurant also has tables suitable for lanky diners. In the bedroom, there is also a beanpole-friendly WC which can be raised to optimal comfort height very much like the seat in a passport photo machine.

The only thing in the hotel not geared towards tall people is the lift. I did not need a ladder to press the button to get to my floor. "If you stayed in our tall room,

you probably wouldn't notice the difference but tall people are very grateful for the little touches," said Rinkens.

"We had a honeymoon couple here recently. A statuesque Scandinavian and a diminutive Chinese. They appreciated the extra leg room."

'The best most tall people can hope for on an aircraft is to have their legs in business class and body in economy'

The European Federation of Tall Persons, which held its annual high society ball and conference for the first time in London at the Royal National Hotel, Bedford Way, Russell Square (0171-278 7871) in May, advised on the design of the Maastricht hotel. The 2,000-strong federation has very high standards. Most European coun-

tries have tall clubs offering stature management counselling, shopping advice and guidelines to airlines on satisfactory legroom.

The Tall Persons Club of Great Britain has more than 800 members, most of whom are overlooked by the travel and leisure industry.

This has helped holiday advice for tall travellers to become a growth sector. The best most tall people can hope for when they go on an aircraft is to have their legs in business class and the rest of their body in economy. Rental cars present a perennial problem. No one wants to spend a week driving around with their head sticking out of the sunroof.

Only Germany, the Netherlands and the US are sympathetic to tall needs - the average length of a bed in the US is 8ft 1in. But not everyone can afford executive rooms or to have a double bed to themselves.

Not all people want to pretend to be a professional basketball player to get the best rooms either. Sports activities are another big person's bugbear. Skiing is still off limits to most extra large people. Ski schools do not

generally have skis with size 12 boots. Bicycling is a problem, too, for someone with a 42in inside leg.

Ironically, Maastricht's latest attraction is underground cycling in the limestone mines of Valkenburg, in the Mergelland region of south Limburg. For two hours, you can pedal away in the semi-darkness through the labyrinthine tunnels - all of which have a maximum head room of under 5ft.

Valkenburg boasts the highest point in the Netherlands. Maastricht has a spacious Romanesque basilica, airy country walks and orthopaedically-good-for-you restaurants and bars. The Thermen 2000 spa complex is good for cricked necks and for sorting out people who have spent too long in a bath with their knees up to their chin.

Maastricht is leading the way in recognising European tourists and holiday-makers as members of one large extended family. The long and short of it is that it is possible to enjoy yourself in Maastricht. Enormously.

The Bergrange Hotel in Maastricht. Tel: +31 43 323 1651.

Why small details matter in large hotels

Businessman Farrol Kahn visits hotels in some of the world's leading chains and has his own observations on standards and service

One of the perks of business travel is to be pampered by high-tech, air-conditioned, global hotel chains. Nowadays, cosseting goes beyond the comfort of clean, homely rooms to office extensions with full business facilities. In short, the ideal hotel is one that combines the surrogate mother with the business partner.

Sometimes, these two elements do not always come together. When they do, you get a first-class hotel. In my subjective quest to evaluate services, I stayed at 11 leading hotel chains in Europe and the US.

One of the common failings of all the chains was the poor coffee and tea they produced. In the Four Seasons, the only way I could get a strong cup of coffee was for room service to send up a Thermos of espresso and one of hot milk, so I could mix it myself. Afternoon tea was also a disappointment since, in most places, tea bags are invariably used instead of good quality leaf tea.

I stayed in hotels where the hot water boiler had broken down (Sheraton, Frankfurt airport), the security lock did not work on the door (Marriott, Grosvenor Square, London) and my confirmed booking did not appear on the computer (Crown Plaza, Miami). On one occasion, I ripped my trousers and the concierge, who promised to have them mended, was unable to deliver (Four Seasons, New York).

The inability of hotel guests to find higher management or appropriate staff at a critical moment was also something I considered. The group which I felt dealt best with me was Ritz-Carlton. In my opinion, it is the best hotel group.

It has a policy of staff empowerment, which enables a problem to be solved more-or-less immediately. It works like this: when a guest complains, the employee to whom a guest complains "owns" the complaint and has up to \$2,000 to solve it. This may seem a lot of money, but the loss of a guest's business can cost a hotel chain thousands of pounds.

The name of the game in global chains is getting the

details right. All of them must be consistent in service, decor, furnishings and facilities. What can irritate a frequent guest is not being able to find a bathrobe, insufficient deskports, or no telephone on the desk. Business guests want to be able to work in their room within minutes of entering it, plug in a PC, download e-mail, read faxes and be in touch with the head office - no matter how many time zones it is away. (8 signs stand for price bracket per person, per night.)

Ritz-Carlton: Hotel in Buckhead, Atlanta. \$\$\$\$\$. The Ritz-Carlton Group has stylish properties with period furnishings, museum-quality antiques and consistent personal service that satisfies the most demanding guest. With all the hallmarks of a private club, from good dining to meeting facilities, the club lounge will impress jaded business users with its southern hospitality. In foreign cities, the Ritz-Carlton is an ideal venue to meet and greet people.

In 1983, W.B. Johnson, a reclusive real estate millionaire, bought the Ritz-Carlton in Boston and got Horst Schulze to run it. He built a luxury chain of 83 elegant hotels. Schulze introduced the staff credo: "We are ladies and gentlemen serving ladies and gentlemen."

Comment: The smoothest check-in I have experienced - I was handed my room keys in the back of the courtesy car at the airport.

Four Seasons Regent in Atlanta. \$\$\$\$\$. The Four Seasons is sleek and modern, and the staff manage everything with brisk efficiency. It is geared to captains of industry and meeting their requests instantly - whether changing travelling arrangements or organising last-minute theatre tickets.

Isidore Sharp opened the first Four Seasons Hotel in Toronto in 1961 and set the benchmark for quality and service in the 44 luxury establishments. He says: "We're selling tools to be effective and productive while travelling." An array of services is available from hairdressers, hourly clothes pressing and hand car

washes to the replacement of personal luggage items if lost, in-room manicures and the provision of children's pushchairs.

"When a guest arrives he wants to start business immediately," says Didier la Calve, general manager of the Pierre Hotel in New York. "We have to ensure that everything works and is on time."

A comfortable night thanks to the beds with special box-spring mattresses, Frete sheets and down pillows.

Comment: Sticky bath underfoot on marble floor and door difficult to open.

Leading Hotels of the World. Hotel Turnberry Isle, Ventura, Florida. \$\$\$\$\$. Essentially an organisation to market some of the world's finest hotels, it provides the guest with attentive and discreet service.

More than 70 years ago, a group of luxury hotels, including the Savoy in London, established an organisation to represent their interests. A portfolio of 312 individual hotels was born and it is full of surprises.

The design and decor of rooms are either ultra-modern or period, and are fitted with state-of-the-art business facilities, including silent faxes at the Peninsula Hotel, Hong Kong.

I stayed at the Turnberry Isle Resort and Club in southern Florida, which is an Italianate complex in Ventura near a shopping mall, with two 18-hole golf courses, two tennis clubs, a 117-ship marina for deep sea fishing and charter yachts, and a private beach club. Celebrities often prefer to stay at the private Marina Yacht Club. One guest described it as an amalgam of European courtesy and American comfort and efficiency.

Comment: Superb breakfast. Vast bedrooms.

Inter-Continental in Miami. \$\$\$\$\$. This is a cool and artsy group at the top end of the first class hotels. The rooms are furnished with a blend of antique and modern items. There are good-sized desks provided in the Business Plan rooms.

Hotel features at a glance

Hotel	Club lounge	Unique features	Female travellers	Loyalty/reward system	Business rooms
Four Seasons	24 hr. in the best daily food presentation	Careful monitoring of guest preferences	Do not discriminate	No	Relay introduction
Four Seasons	In only a few hotels	High level personalised service	Women are given rooms near lifts and exit parking	No	Executive suites with additional space
Leading Hotels of the World	20 per cent of hotels have these facilities	All five star hotels and more are the same	Do not discriminate	Leaders Club: invited members only, 312 locations	Business facilities in all hotels
InterContinental	20 per cent of hotels have these facilities	Local cultural influences	Do not discriminate	Global village rewards in 187 properties	High-tech facilities
Hilton	Agency floor in most properties	Excellent architecture	Do not discriminate	Gold passport for 177 properties	Business plan: equipped and phone check-in
Hyatt	Quality facilities	Double dipping loyalty systems and miles are awarded each stay	All rooms have electronic locks	400 locations worldwide (Hilton Honors points and miles)	Data ports standard
Marriott	Hotel breakfast and complimentary meals and drinks	Consistent and friendly service	Do not discriminate	Honored Guest Marriott status, 1,200 locations	The room that works with visible electrical outlets
ITT Sheraton	Most properties have these facilities	Comprehensive frequent guest programmes	Strategic plan to enhance security of female guests	Sheraton Club International for 481 properties	Smart room. One of the best room offices
Crown Plaza	In airport and key city hotels	Check-in whenever you want even at 7am	Do not discriminate	Priority Club in 126 locations	Business centres
Radisson	In a few hotels	Three-for choice of bed and breakfast, room or four-star hotel	Do not discriminate	Radisson business card, points and miles	Business class room. Departure 24 hr. business access
Holiday Inn	No	Family friendly, children up to 18 stay free, meals for 12 and under free	Do not discriminate	Priority Club is the world's largest with 10 members in 2,300 locations	Business centres

The group started in 1947 as a subsidiary of Pan Am to provide accommodation for the rapidly growing market of international travellers. It owns an interesting mix of modern and period buildings, such as the Carlton in Cannes and the Amstel in Amsterdam.

Comment: I left a pair of trousers in my room and within a week they had been returned to my home dry-cleaned.

Ryatt Regency Miami. \$\$\$\$\$. Ryatt provides ultra modern, first class hotels with innovative services. Recent developments include delicatessens in foyers, where guests can buy takeaway snacks for consumption in their rooms. (This is a good idea as it took 17 minutes for two drinks to be delivered to my room.) Another new service is to put a fax under your door to remind you that you have not listened to your recorded calls.

The first hotel opened in 1957 at Los Angeles International airport. It set the precedent for innovative and exciting buildings.

"Quite simply, we take an open space and activate it," says Douglas Googa, the president. "We add waterfalls, streams and trees to bring movement and life to the atriums."

Comment: The business

plan room was just too busy. A mug for coffee still had a sugar residue from a previous guest.

Hilton: Hotel Fontainebleau Miami Beach. \$\$\$\$\$. These are quality first class hotels with a high standard of service. Conrad Hilton, originator of the concept of hotel chains, bought his first property in Cisco, Texas, in 1913. The town had struck oil and as his was the only hotel, he turned it into a goldmine. He rented rooms on eight-hour shifts with three occupants a day.

From then on, his hotels notched a series of firsts, including in-room air conditioning, hotel gift shops, airport hotels and a centralised reservations system.

Although Hilton International split from Hilton in 1984, the two groups have reunited and can offer 400 hotels in 49 countries.

Comment: I came away with the impression that they liked to do everything properly. One day, I asked for extra tea and coffee, and the next day my extra supply was there without asking.

Marriott: Hotel in Grosvenor Square, London. \$\$\$\$\$. Middle market group where you will not find imported chocolates on your pillow at night, but you will find effi-

cient service. "Our pursuit of consistency is ensured by our policy of hands-on management," says Bill Marriott Jr, doyen of the hotel industry.

Over the years, guests have made suggestions for room amenities and today it is commonplace to find frons, ironing boards, blow dryers, brighter lightbulbs, hand cream and hangers with skirt-friendly clips in your room.

For businessmen, the significant feature is the obvious electrical sockets, so laptops can be used immediately without having to search for them.

Comment: Good balance between sleeping and working space.

ITT Sheraton. Hotel, Frankfurt Airport. \$\$\$\$\$. Modern pastel-coloured furniture is a la mode in this group, and its trademark is the omnipresent fitness centre, where you can keep up with your workout schedule.

The company, which was started in 1937, is essentially a business hotel chain and operates 461 properties in 64 countries. Its airport hotels offer extra services, including Body Clock Cuisine to help alleviate jetlag, a four-hour express laundry service and 24-hour business and room service.

In 1936, Sheraton launched

the luxury collection, incorporating top hotels, such as the Imperial in Vienna, the Orchid at Mauna Lani, Hawaii, and the Gritti Palace in Venice.

Comment: Anti-jetlag food and survival kits are welcome additions for transit travellers.

Crown Plaza: Hotel on Broadway, New York. \$\$\$\$\$. This is the new address for savvy travellers. Value for money is an important element as the hotels have upscale features such as towel-gown, shaving mirror, room safe, dataport and two phone lines, voicemail, tea/coffee maker and club lounges.

Prime sites include Redondo Beach near LA Airport, with its seaside walkways, and on Broadway, New York, which has clear views of the Hudson River. A new, interesting brand.

Comment: Club lounge equal to the best around.

Ramada Inn: Hotel Deauville in Miami. \$\$\$\$\$. Ramada features standard and bland American decor and furnishings. The first Ramada Inn opened in 1956. Originally named the Flamingo until the mobster Bugsy Siegel, decided to use the name for his hotel in Las Vegas.

Eighteen-year-old Steve

Belmonte was the youngest general manager at Holiday Inn and is now president of the fourth largest hotel chain worldwide, the Ramada. He initiated a programme which encourages staff to exceed guest expectations.

Business class accommodation has been introduced with free newspapers, complimentary breakfast, free local calls, incoming faxes and dataport access.

Comment: Orange juice offered to queuing guests at reception.

Holiday Inn: Hotel Ocean-side Miami Beach. \$\$\$\$\$. Basic and comfortable describes this group. Kemmons Wilson founded it in 1952 as he wanted one-room accommodation for his family. This led to the concept of two double beds in each room. Children stay free and the standard features include swimming pools, air conditioning, a restaurant on the property, telephones and ice. The hotel directory lists several tone-up exercises that can be done in the room.

Today, there are more than 2,300 locations worldwide. A solid stable brand. Comment: Good basic accommodation on the east. It is introducing Art Deco reproduction furniture in the rooms.

SPORT

Sporting Profile

Outrageous slices of a life that keeps going off-course

It could be tragic or heroic. What next for John Daly, golf's most compelling character, asks Derek Lawrenson

Seven years have passed since a wandering hick from Middle America took up a last-minute invitation to the USPGA Championship and walked off four days later with the trophy. At the time, it appeared the most improbable of scenarios but that just proved how little we knew about John Patrick Daly.

One day they will make a film about this extraordinary sporting life but it is symptomatic of the man that the ending could yet turn out to be tragic, or heroic, or quite possibly both.

This time last year Daly came out of an alcohol detoxification clinic to lead the USPGA after the first round. What will be the fourth of the year's major championships begins at a new course called Sahalee in a suburb of Seattle next week? Will he shoot 68 as he did at Winged Foot 12 months ago? Just as likely he will take 11 down one hole, besmirching both his own name and the sport, as he did at the Open at Birkdale last month. One thing seems fairly certain: it is unlikely to be a mundane par-filled round of 72.

For all the emergence of Tiger Woods, Daly remains the game's most fascinating character. He is 32, and has been married three times. He has been suspended from playing for bad behaviour three times, and has had three spells in the Betty Ford clinic for alcohol abuse. He has also won two major championships in the 1990s. Only Nick Faldo and Nick Price have won more.

On the course, for the most part, he is as he has always been - compulsive viewing. At the Bay Hill Invitational tournament in Orlando, Florida, earlier this year, I decided to watch the closing holes of his fourth round. He was not in contention. But the alternative was Fred Funk or a clutch of other expressionless professionals.

The sixth hole at Bay Hill - Daly's 16th, since he had started on the tenth - is a par five that winds its way around a lake. After driving into the water, Daly took a penalty drop and now could either play conservatively or take on a 270-yard carry to the green. I went to watch Daly precisely because of situations like this: I knew he would take on the dare.

The three woods was struck beautifully and five more yards would have seen the ball finish next to the flag. Instead it dropped into the water. Daly could not believe it. He looked at his caddy, bewildered. He had another go. Another beautiful strike. Again it finished in the water. "Give me another ball," Daly said to his caddy. The same result.

The scene was reminiscent of the finale of the film *Tin Cup*, where Kevin Costner is a club professional who has a chance to win the US Open but blows a ball into the lake at the 18th and then cannot help himself, and keeps on hitting balls into the water until eventually he clears the hazard. The crowd watching Daly began chanting: "Tin Cup, Tin Cup."

Daly smiled and reached for

another ball. He put it in the water. He reached for another. He put it in the water. At the seventh time of asking he bailed out to the right and made the carry. The fans started cheering as if he had won the Open. Minutes later, Daly tapped in for an 18, the worst score on a single hole in the history of the US tour.

Now, perhaps, as a serious golf correspondent I should not have been cheering with the crowd and should have been po-faced, like the man from *Golf Weekly*, who condemned Daly in an editorial. He was right: it was not golf.

But it was wonderful entertainment, a humorous slice of show business before the leaders played their parts, and as it did not affect the performance of other professionals - certainly not his playing partner Tom Watson, who was smiling along with everyone else - I failed to see the harm. Indeed, it was the highlight of the day.

The crowd watching Daly began chanting 'Tin Cup, Tin Cup'. He took another ball

Less desirable was Daly's bad-tempered cameo on the 19th hole at Birkdale three weeks ago, where he ran up an 11 with a succession of uncaring shots that belittled his status as a former champion. "What is going through his head?" asked one journalist. The answer was nothing. All thought was lost in rage.

One might have thought that giving up drinking would have ended this schizoid behaviour, but Daly is looking as if he will always have an angel on one shoulder and a devil on the other, constantly vying for attention.

No one was blessed with more talent. Not only can he hit the ball extreme distances, he also has "soft" hands, which enable him to play all the necessary touch shots around the greens. It is an invigorating combination and when the brain is in gear as well it makes him a formidable opponent.

Seven years ago, Daly drove through the night to play in the USPGA, after Nick Price withdrew when his wife went into labour. Daly, therefore, teed up in the first round with no sleep and no idea of the course layout. He still shot 68, and when he followed it with a 67, he was leading.

Naturally, all the experienced professionals were queuing up to predict his demise when the pressure became too intense over the final two rounds. What did Daly think? "I'll just keep on gripping it and ripping it," he said, and so he did. In between shots, he signed autographs and did high fives with the crowd. Nick Faldo,

he clearly was not. He won by three strokes.

Perhaps the next few years were wasted ones. Certainly he made more headlines with his off-course behaviour than what happened on it. But rather remarkably, Daly won another major in 1995, and nothing less than the Open itself.

There was something deliciously perverse about a man who had renounced alcohol 12 months earlier stepping up to receive the prize of an auld claret jug. It also meant that Daly was the only player at the time under 30 with two majors to his name.

Surely he would now fulfil all his glorious potential? Alas, no. It was in the summer of 1996 that the whispers began that Daly had started drinking again. By March of the following year, they had become full-blown. In Jacksonville, Florida, he came off the course at 1pm, having missed

a cut and went to a bar and stayed there drinking for 12 hours. When he returned to his hotel room, he trashed it. The police were called. "Grab one of their guns," Daly cried out to his friend Fuzzy Zoeller, a horrified onlooker who had been called by Daly's petrified wife. "And shoot me in the head."

In the weeks that followed, it looked as if that Jacksonville bar would prove his last-chance saloon. His club manufacturer, Wilson, dropped him like a stone. Daly was suspended from the US tour indefinitely, and entered the Betty Ford clinic. There, he cut himself off from the outside world. When he emerged, someone told him that Tiger Woods had won the Masters. He was probably the last person on the planet to know.

He returned to golf ashamed but delighted to find that people still retained their soft spot for him. Behind the ropes people started

throwing coins towards him, the coins that people who seek help through Alcoholics Anonymous get for each anniversary that passes without drink. He signed with Callaway clubs and Ely Callaway, the founder whose son is also an AA member, has become almost a surrogate father. In March this year, Daly received an AA coin of his own and now he uses it as a ball marker.

To try to ease the temptation to drink, he has taken up playing the guitar. He writes songs, too, and one has been recorded by an American band called Duck Soup. Its lyrics are corny, but they hint at Daly's own feelings of helplessness as he tries to control the uncontrollable. "People don't understand my life, got all the answers to my life, I am a drunk and I don't understand this disease, like a merry-go-round that never seems to cease."

Stadiums

How fans get a good grounding

Marian Edmunds samples tours of our top sports venues

Once upon a time people visited London to see the Changing of the Guard. But there is not much street cred to be gained from this, particularly among teenagers. Almost any teacher bringing a school party to the capital will say a tour of Wembley Stadium is top of the list of things-to-do.

A tour of Arsenal's home ground at Highbury in north London is also popular but unless you have the talent of Dennis Bergkamp then dying is probably the only guaranteed way to get on to the turf. Even that just gets you remains to the edge, alongside the ashes of dozens of supporters deposited a foot or so beneath the pitch.

The head groundsman is said to be none too thrilled about players messing up his turf either.

But people who take the tour sit in the places their heroes - Bergkamp, Tony Adams or David Seaman - take in the dressing room, climb into the communal bath or sit at the top table in the pressroom.

A goal-packed film is shown in the museum. It is all rather homespun with Ian Cook, the curator, and his colleagues taking pleasure in pinning the red Arsenal rose to the chests of supporters of opponents, particularly of Tottenham Hotspur. Arsenal run tours less as a money-spinner than a public relations exercise to fuel juvenile sporting passions and reward long-held loyalties.

Big business is the name of the game at Wembley. Guides lead groups of up to 50, three times an hour. To the accompaniment of cheering and a distorted soundtrack of applause from a capacity crowd of 80,000, tourists stride through the players' tunnel into the arena.

The pace is relentless, with Des Lynam, the BBC sports anchorman, appearing on video screens wherever you go. Perhaps being at Wembley is humbling but the rooms occupied by the big egos - dressing rooms and television studios - are poky.

In contrast, dedicated fans and senior administrators make up the small army of volunteer guides for the Twickenham Experience - the stadium and museum at the home of rugby union. Visitors are herded into the members' suites which have fittings so spotlessly maintained they smell like a new car. Also sterile and ultra-modern is the dental surgery, which the team dentist says is far superior to his workday premises.

Looking from the pitch to the grandstand is like standing in the bottom of a huge bathtub - only when empty is it possible to appreciate what it takes to fill.

From just under the roof there is a splendid glimpse of the suburbs beyond and a bird's eye view of the pitch which the guide assures visitors the pigeons rarely have an opportunity to enjoy. They are sent packing by a falcon, brought in to scare them away.

Touch-screen computers provide details of player and team biographies, tactics and footage at the museum,

and there is a scrumming machine upon which non-players make no impact. One leaves resolving to obtain tickets for the next big match.

The All-England Lawn Tennis Club, home of the Wimbledon championships, tends to attract dedicated tennis fans, although as London's tennis-playing fraternity knows, that number swells to fill every available court for a few weeks after the tournament. The revered Centre Court is only visible from a viewing platform with a match soundtrack playing and, disappointingly, its dressing rooms are reserved for club members outside the tournament.

Architecture is the main event for a significant minority of visitors to the stadiums. At Highbury, the tour starts in the grand marble-inlaid foyer of the Grade II-listed stadium. Although built in the late 1920s, the North Stand does not look out of place beside the Art Deco East and West stands. Solutions such as moving to Hertfordshire, or

At Wembley, Des Lynam appears on video screens wherever you go

adopting Wembley as its ground, have been mooted as Arsenal tries to meet an escalating demand for tickets without kicking its architectural heritage and social heritage into touch.

A venue which is unlikely to sacrifice either is Lord's cricket ground, in St John's Wood, north London.

The guide, a member of the Marylebone Cricket Club, bemoans the ponderous 1860s architecture of the banqueting suite.

The carvings and turrets of the Victorian pavilion could not be more in contrast with the 1980s Mound Stand with its marquee-inspired roof. Even more at odds will be the new home for the cricketing media to be completed in time for the World Cup Series next year. A prefabricated building resembling a flying saucer will rest on top of two huge concrete blocks opposite the pavilion.

It is satisfying to mix the disciplines of architecture and sport and the best time to do so is to take the early tour at Lord's on the day of a county match, when you can visit the pavilion, see the players warming up, take in the small but well-stocked museum, and most important, locate the best vantage points for a match.

Impressive though all these venues are when empty, it is a bit like having the best seat in the house when a fixture is abandoned.

Arsenal Football Club, Highbury Stadium 0171-704 4000.

Lord's, St John's Wood 0171-432 1033.

The Twickenham Experience 0181-552 3577.

Wembley Stadium 0181-902 8533.

Wimbledon Lawn Tennis Museum 0181-945 6131.

Soccer

Vasco on course to new territory

The Brazilian side is poised for a cup victory to mark their centenary, writes Tim Vickery

On August 31 1998, a group of 62 Portuguese immigrants to Rio de Janeiro formed a rowing club which was to change the course of Brazilian football.

One hundred years on, the club is within sight of its greatest triumph - Vasco da Gama are preparing for the first leg of the final of the Copa Libertadores, South America's premier club competition. Vasco are at home to Barcelona of Ecuador on Wednesday, and, in their centenary year, they are firm favourites to lift the trophy for the first time.

When the Clube de Regatas Vasco da Gama was born, football in Brazil was only four years old. At the start of the new century the game began to catch on, and Vasco took up the new fashion in 1916.

Seven years later, at the

first attempt, they won the Rio State Championship and began the process which established Brazil as the kings of world football. The game in Brazil was then largely restricted to the European elite, but the Vasco team contained four poor white and, unthinkable, four black players.

The gentle world of Rio football went into shock. Supporters of the Brazilian clubs, Fluminense, Flamengo and Botafogo, formerly so well-behaved, yelled "leper" and "blood-sucker" at the Vasco players. The following year,

Vasco were carved out as the other clubs formed a breakaway league.

These were amateur days, but, all the same, no one was averse to making money. Vasco da Gama had captured the public's attention. Crowds at their games were bigger than those of the more established clubs in their breakaway league. A peace formula had to be found.

The compromise was based on the new "tithe" clause. In order not to lower the tone too much, all participants had to be able to read and write. A lengthy

form had to be filled in before players could take the field. This was beyond many of the Vasco team, who were sent to school to get them through the test.

The players' amateur status was preserved, but Vasco arranged jobs for them in the small businesses of Rio's Portuguese community, the club's traditional support. To consolidate their position, Vasco built their own ground, the Sao Januario stadium, inaugurated in 1927.

It was then the biggest football ground in Latin America, and although the

giant Maracanã stadium is less than two miles away, it is there that Vasco will play Wednesday's home leg of the Libertadores final.

It was from Sao Januario's tribune of honour that, in 1943, President Vargas announced new labour laws that protected the rights of Brazilian workers. Meanwhile, a few hundred miles away in Minas Gerais, Pelé was growing up a Vasco supporter. The late 1940s was the club's golden age: their team contained a dazzling collection of talents who formed the basis of Brazil's 1950 World Cup squad.

But by this time, Vasco were no longer the game's revolutionaries.

Professionalism, with its twin demands of success on the field and money at the gate, had guaranteed the place of the black player in the Brazilian game. Once professionalism was established in the 1930s, the Flamengo club made a real effort to steal Vasco's thunder by attracting the leading black players of the day.

The move paid off. Flamengo have the bigger support now, but Vasco are the reigning Brazilian champions. The current bearers of

the slightly sinister Maltese Cross may not be as spectacular as some of their predecessors, but they have resilience and no mean ability.

Antonio Lopes has been coach for nearly two years, an extraordinary feat in the madness of Brazilian football, and the team has benefited from the continuity. The defence is ably marshalled by the veteran Mauro Galvao, Brazil's 1990 World Cup sweeper, and if he is beaten Vasco can count on the calm of their excellent keeper Carlos Germano, Taffarel's deputy at the World Cup in France.

A fine tradition of producing their own players is still going strong. The best of the existing is Felipe, a 20-year-old left-back of breathtaking talent, who seems poised to relegate Roberto Carlos to the national side's substitutes' bench very soon.

It has already been a long year for Vasco, though, and the strain is beginning to show in a run of injuries and a few clashes in the camp. International striker Donizete, for example, appears to be going through a personal crisis.

If Vasco can overcome their problems they should be too good for Barcelona, and if the final goes to form then this trail-blazing club, named after the celebrated explorer, will crown their centenary year with a famous voyage. They will go to Japan in December to take on Real Madrid for the World Club Championship.

1998/1999

INTERNATIONAL ARTS GUIDE

What's on around the world

■ AMSTERDAM

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl
Waves Breaking on the Shore... Ad Dekkers in His Time: works by the Dutch abstract artist displayed alongside works by contemporaries including Dibbets, Struycken and Andre; to Aug 23

■ ATLANTA

EXHIBITION
High Museum of Art
Tel: 1-404-733 4444
Self-Taught Artists of the 20th Century: An American Anthology. 300 works by more than 30 artists, all of them without formal training. Includes paintings, sculpture and installations; to Sep 20

■ BILBAO

EXHIBITION
Guggenheim Museum Bilbao
Tel: 34-9-423 2739
www.guggenheim.org
China - 5,000 Years: comprising 500 works of art ranging from the Neolithic to the contemporary. Many of these objects have never before this exhibition been seen outside China; to Sep 1

■ BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
www.kah-bonn.de
● Great Collections: the latest in this series of exhibitions is devoted to the Musée du Petit Palais in Paris. Concentrating on the museum's holdings of 19th century French art, the show comprises nearly 200 works and ranges across painting, drawing and sculpture; to Sep 27
● The Iberians: between the sixth and the first century BC, a little-known civilisation existed on the west of the Mediterranean bowl. Contemporaries of the Phoenicians and the Greeks, the Iberians developed a distinctive culture. Some of the 350 objects included in this display have never before been removed before from the sites of their excavation; to Aug 23

■ BUDAPEST

EXHIBITIONS
Hungarian National Gallery, Buda Castle
Tel: 36-1-375 7533
Jozsef Rippl-Ronai: retrospective of the Hungarian post-impressionist, comprising 250 works. Includes decorative art objects and personal photographs and letters as well as paintings loaned by private collectors and museums; to Sep 6, then transferring to Saint-Germain-en-Laye near Paris

Museum of Applied Arts
Tel: 36-1-217 6222
Zsolnay: Art Nouveau Ceramics. Display of 200 objects made between 1887 and 1916 at the family-owned Zsolnay factory in Pécs. Includes goblets, vases and other objects; to Sep 27

■ CHICAGO

EXHIBITION
Art Institute of Chicago
Tel: 1-312-443 3800
www.artic.edu
Songs on Stone: James McNeill Whistler and the Art of Lithography. Around 200 works by the American expatriate, including drawings, etchings and paintings, which demonstrate the importance of lithography to his art and theory; to Aug 30

■ COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Louisiana at 40: The Collection Today. Anniversary exhibition of the permanent collection, designed to showcase 40 years of work. Originally based on Danish Modernism, the museum has since developed to encompass a range of post-war styles. Highlights include works by Giacometti; to Aug 30

■ EDINBURGH

EXHIBITIONS
National Gallery of Scotland
Tel: 44-131-624 6200
Effigies and Ecstasies: Roman Baroque Sculpture and Design in the Age of Bernini. The National Gallery's major festival exhibition for 1998 is a celebration of the outstanding artist of the Italian baroque, Gian Lorenzo Bernini. The show also includes a number of drawings loaned by British collections; to Sep 20

Scottish National Gallery of Modern Art
Tel: 44-131-624 6200
Mona Hatoum: 45 works ranging from photographs and videos to sculptures made from materials including hair, wax, soap, steel, rubber, pins and razor blades; to Oct 25

■ FORT WORTH

EXHIBITION
Kimbell Art Museum
Tel: 1-817-332 9451
www.kimbellart.org
Modernism - The Art of Design 1880-1940: wide-ranging display of works from the Northwest collection. Examples range from the British Arts and Crafts movement and Art Nouveau



'Three Nudes in the Mirror', 1912, by Otto Mueller, in an exhibition at the Haus der Kunst in Munich

to the Bauhaus and Art Deco; to Sep 13

■ GLIMMERGLASS

OPERA
Alice Busch Opera Theater, Cooperstown
Tel: 1-800-547 2255
● Falstaff: by Verdi. New production directed by Leon Major, with sets and costumes by John Conklin and lighting by Pat Collins. Baritone Stephen Powell sings the title role. The conductor is George Manahan; Aug 8, 11, 14
● Pericles: by Handel. New production directed by Francisco Negrin. In his Glimmerglass debut, and conducted by Harry Bicket. Cast includes David Daniels and Lisa Saffer in the title role; Aug 8, 10
● The Mother of Us All: by Virgil Thomson. Conducted by Stewart Robertson in a new staging by Christopher Alden, with sets by Allen Moyer; Aug 13
● Tosca: by Puccini. New staging by the team responsible for last year's Madame Butterfly; director Marc Lamos, set designer Michael Yeagan, costume designer Constance Hoffman, lighting designer Robert Wierzel and conductor Stewart Robertson; Aug 9

■ GLYNDEBOURNE

OPERA
Glyndebourne Festival Opera
Tel: 44-1273-815 000
● Capriccio: by R. Strauss. Revival conducted by Andrew Davis and directed by John Cox. The Countess is sung by Felicity Lott. With the London Philharmonic Orchestra; Aug 9, 14
● Le Comte Ory: by Rossini. Revival conducted by Yves Abel and directed by Jérôme Savary, with the London Philharmonic Orchestra; Aug 8, 12
● Simon Boccanegra: by Verdi. New production conducted by Mark Elder in a staging by Peter Hall. With the London Philharmonic Orchestra. The title role is sung by Elena Prokhorova; Aug 10, 13

■ LAUSANNE

EXHIBITION
Musée Cantonal des Beaux-Arts
Tel: 41-21-312 8332
The Collection of Dr Henri-Auguste Widmer: In 30 years, Widmer collected more than 600 works of art. This display, designed to pay tribute to one of the museum's most generous donors, includes works by Boudin, Daubigny, Chintreuil and Rousseau; to Nov 8

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC National Orchestra of Wales: Tadeusz Olska conducts the UK premiere of Sofia Gubaidulina's And: the feasting at its height. Programme also includes works by Dukes, Szymanowski and Strauss. With cellist David Geringas and tenor Jean-Paul Fouchécourt; Aug 10
● BBC Symphony Orchestra: conducted by Mark Elder in works by Berlioz, Liszt, Britten and Prokofiev. With the BBC Symphony Chorus, Philharmonia Chorus and piano soloist

Paul Lewis; Aug 9
● BBC Symphony Orchestra: conducted by Andrew Davis in works by Ravel and Mozart, and Payne's elaboration of the sketches for Elgar's Third Symphony; Aug 13
● Birmingham Contemporary Music Group: Simon Rattle conducts a programme of works by British composers including Oliver Knussen, Thomas Adès, Simon Holt and Mark-Anthony Turnage. With piano soloist Thomas Adès and cellist Ulrich Hehrer; Aug 10
● National Youth Orchestra of Great Britain: conducted by Metastasio Rostropovich in Shostakovich's Symphony No 10 in E minor. Programme also includes the world premiere of a specially commissioned new work by Michael Berkeley and Britten's Young Person's Guide to the Orchestra; Aug 8
● Orchestra of the Age of Enlightenment: conducted by Heinrich Schiff in works by Haydn, Gluck and Beethoven. With baritone Thomas Allen; Aug 12
● Philharmonia Orchestra: European premiere of Leonard Slatkin's Housewarming, conducted by the composer. Programme also includes Joseph Schwantner's Percussion Concerto, with Evelyn Glennie, and Elgar's Symphony No. 2 in E flat major; Aug 11

Royal Festival Hall
Tel: 44-171-960 4342
Kodo Drummers: return visit by the 14-strong Japanese troupe; Aug 12, 13, 14

DANCE
Barbican Theatre
Tel: 44-171-638 8891
www.barbican.org.uk
Twyla Tharp's two week season ends tonight. Programme 2 includes Sweet Fields, which draws on traditional American choreography, and Heroes, a ballet score by Philip Glass

EXHIBITIONS
Barbican Art Gallery
Tel: 44-171-638 8891
The Warhol Look/Glamour Style Fashion: includes screen prints, films, reconstructed window displays, photographs, illustrations and clothing; to Aug 16

Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Bruce Nauman: spanning the career of the American artist, b.1941, this exhibition focuses on his relationship with language, and includes sound and video installations; to Sep 6

National Gallery
Tel: 44-171-939 3321
Venice through Canaletto's Eyes: taking the form of a journey along the Grand Canal, this display brings together 23 paintings and drawings of the artist's native city; to Oct 11

Royal Academy of Arts
Tel: 44-171-300 8000
● Chagall: Love and the Stage. A series of monumental mural paintings created in 1920 for the State Yiddish Chamber Theatre in Moscow will form the centrepiece of this exhibition. Never before seen by the British public, the recently restored paintings

will be shown alongside preparatory drawings and sketches; to Oct 4
● Summer Exhibition: held every year since the Academy's foundation in 1768, the world's largest open exhibition displays work by established painters and sculptors alongside that of younger and less well known artists; to Aug 16

Tate Gallery
Tel: 44-171-887 8000
Patrick Heron: b.1920, Heron is one of the leading figures of 20th century British art. This display includes around 80 paintings, ranging from the 1930s to the present; to Sep 6

■ MADRID

EXHIBITIONS
Fundació la Caixa
Tel: 34-1-435 4833
Lucio Fontana (1899-1968): Retrospective of the Italian pioneer of conceptual and multimedia art; to Sep 13

Museo Nacional Centro de Arte Reina Sofia
Tel: 34-1-467 5062
Federico García Lorca (1898-1936): centenary celebration of the Spanish poet. Includes biographical material and examples of the different forms in which he worked; to Sep 21

Thyssen-Bornemisza Museum
Tel: 34-91-4203 944
Paul Klee (1879-1940): retrospective comprising over 100 works, including private and public loans; to Oct 12

■ MARTINIQUE

EXHIBITION
Fondation Pierre Glandia
www.glandia.ch/index.html
Paul Gauguin retrospective: organised to mark the gallery's 20th anniversary. Includes more than 100 works borrowed from public and private collections around the world; to Nov 22

■ MUNICH

EXHIBITION
Haus der Kunst
Tel: 49-89-211270
Expressionists: the Buchheim Collection. Widespread display of works assembled by the painter and novelist Lothar-Günther Buchheim over the past 50 years. Includes works by Kirchner, Schmidt-Rottluff, Corinth, Beckmann and Kokoschka, as well as early watercolours and graphics by Dix and Grosz; to Oct 18

■ NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
● Mostly Mozart Festival Orchestra: conducted by Vladimir Spivakov in works by Mozart and Strauss. With viola soloist Paul Neubauer and soprano Inna Mula; Aug 8
● Mostly Mozart Festival Orchestra: conducted by Ivor Bolton in works by Mozart and Handel. With violin soloist Christian Tetzlaff and mezzo-soprano Susan Graham; Aug 11
● Mostly Mozart Festival Orchestra: conducted by Ivor Bolton in works by

Mozart. With violin soloist Christian Tetzlaff and piano soloist Louis Lortie; Aug 12

EXHIBITIONS
Guggenheim Museum
Tel: 1-212-423 3500
www.guggenheim.org
● Peggy Guggenheim: A Centennial Celebration. To mark the 100th anniversary of Peggy Guggenheim's birth, the museum has organised a display of paintings and sculptures from her collection. The exhibition also features photographs and personal belongings; to Sep 2
● Vilhelm Hammershøi (1864-1916): Danish Painter of Solitude and Light. Retrospective seen in Copenhagen and Paris last year, comprising 60 works by this relatively unknown contemporary of Munch. Includes portraits and landscapes as well as interiors, many of which depict the rooms of his Copenhagen home; to Sep 7

Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
● Louis Comfort Tiffany: celebrating the 150th anniversary of the artist's birth, this exhibition, drawn from the museum's collection, includes leaded-glass windows and lamps, vases, furniture, enamels and jewellery; to Jan 1
● Sir Edward Burne-Jones: first American exhibition devoted to the 19th-century British artist, comprising more than 200 works, including tapestries and jewellery as well as paintings; to Sep 6

Museum of Modern Art
Tel: 1-212-708 5480
www.moma.org

● Aleksander Rodchenko (1891-1956): first major US retrospective of the most important Russian artist of the period following the 1917 revolution. A founder and leading theorist of Constructivism, Rodchenko abandoned the traditional medium of painting and sculpture in favour of experimental forms, photocollage and graphic design. The show presents 300 works created between 1915 and 1938; to Oct 6
● Bonnard (1867-1947): transferring from London's Tate Gallery, this major retrospective includes over 100 paintings - landscapes, still lifes, a series of nudes, and several self-portraits; to Oct 1
● Love Forever - Yayoi Kusama, 1958-1968: display of works by the Japanese artist (b.1929), who came to prominence in the late 1950s - while living and working in New York - with a series of large-scale monochromatic paintings called Infinity Nets. Following her return to Japan in the early 1970s Kusama was largely forgotten in the US. This display includes installations and a film as well as paintings, sculptures, photographs and collages; to Sep 22
● Tony Smith (1912-1980): Architect, Painter, Sculptor. Includes some 50 paintings and 50 drawings, as well as plans, sketches, photographs and models of architectural projects, some of which were never realised; to Sep 22

■ PARIS

EXHIBITIONS
Centre Georges Pompidou
Tel: 33-1-4478 1275
www.crac-pm.fr
Max Ernst: Sculptures, maisons et paysages. Around 100 sculptures and paintings by the German-born artist (1891-1976), who lived and worked in Paris and the US; to Aug 17

Musée du Louvre
Tel: 33-1-4020 5151
www.louvre.fr
● Astronomy and Astrology in the Islamic World: display of instruments developed by Arab astronomers between the 8th and 15th centuries, shown alongside a selection of everyday and religious objects decorated with astrological designs; to Sep 21
● Bassano and His Sons: works by the Venetian painter Jacopo Bassano (1510-1582) and his sons. The display brings together works owned by the Louvre with loans from other French museums; to Sep 21

■ ROME

EXHIBITION
Borghese Gallery
Bernini, the Sculptor: The Beginning of Baroque Art in the Borghese Family. Brings together pieces belonging to the Villa with loans from abroad, including the famous Hermaphrodite from the Louvre; to Sep 20

■ ROTTERDAM

EXHIBITIONS
Kunsthal
Tel: 31-10-440 0300
● Look at me: Fashion and Photography in Britain 1980 to the present. First stop for a touring exhibition which tracks the development of fashion photography; to Aug 9
● Streetwise: 10 years of party, dance and house culture. Multimedia presentation designed to present an overview of the dance music culture which originated in Chicago in the 1980s. Includes furniture, clothes, flyers, projections and sound effects; to Sep 20

■ SALZBURG

OPERA
Salzburg Festival
Tel: 43-662-844501
● Aufstieg und Fall der Stadt Mahagonny: by Weill. Conducted by Dennis Russell Davies in a staging by Peter Zadek, with sets by Richard Peduzzi. Cast includes Dame Gwyneth Jones and Wilbur Pauley. With the Vienna Radio Symphony Orchestra; Grosses Festspielhaus; Aug 12
● Don Carlo: by Verdi. New staging by Herbert Wernicke, with the Vienna Philharmonic and Opera conducted by Lorin Maazel. Cast includes Samuel

Ramey; Grosses Festspielhaus; Aug 10, 13

THEATRE

Salzburg Festival
Tel: 43-662-844501
● Soon: by Hal Hartley, with music by Hal Hartley and Jim Coleman, and sets and costumes by Steve Rosenzweig. Co-production with deSingel, Antwerp; Fennar Insee; Aug 8, 9, 11, 12, 13, 14
● Denton's Death: by Büchner. New. Co-production with the Berliner Ensemble, directed and designed by Robert Wilson, with costumes by Frida Parmegiani; Landestheater; Aug 8, 10, 12
● Trollus and Cressida: by Shakespeare. New, co-production with Theater Basel, directed by Stefan Bachmann; Lehrbühnen; Aug 13, 14

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-886 5900
www.santafepopera.org
● A Dream Play: American premiere of Ingvar Lidholm's opera based on Strindberg's play. The director is Colin Graham; Aug 17
● Beatrice and Benedict: by Berlioz. New production directed by Tim Albery and designed by Jennifer Tipton. Susan Graham will sing the role of Beatrice, with Elizabeth Futrell as Hero. The conductor is Edo de Waart; Aug 13
● Madame Butterfly: by Puccini. John Crosby conducts a production directed by John Copley; Aug 8, 11
● The Magic Flute: by Mozart. New production by Jonathan Miller, with sets by Roni Toren and costumes by Judy Levin. Cast includes Sheri Greenwald; Aug 10

■ SCHLESWIG-HOLSTEIN

CONCERTS
Schleswig-Holstein Music Festival
Tel: 49-431-587 080
● Cologne Chamber Orchestra: conducted by Helmer Müller-Brühl in works by Vivaldi and Bach. With soprano Barbara Schlick, flautist Patrick Gallois and oboe Christian Hommel; Schleswig, Dom (Aug 10) and, in a slightly altered programme, at the Hasselburg, Scheune (Aug 11)
● Philharmonie der Nationen: conducted by Justus Frantz in works by Brahms; Sylt, Wasterland, Halle 401 auf dem Flugplatz; Aug 12
● Schleswig-Holstein Music Festival Orchestra: conducted by Donald Runnicles in works by Berg and Mahler. With soprano Laura Aikin; Lübeck, Musik- und Kongresshalle; Aug 9

■ SEATTLE

OPERA
Seattle Opera
Tel: 1-206-389 7676
www.seattleopera.org
Tristan und Isolde: by Wagner. New production by Francesca Zambello, conducted by Armin Jordan. The title roles are sung by Jane Eaglen and Ben Heppner; Aug 10, 13

■ TOKYO

CONCERT
Suntory Hall
Tel: 81-3-5564 9999
Andreas Rothkopf: recital by the organist of works by Bach; Aug 14
EXHIBITIONS
Metropolitan Art Museum
Tel: 81-3-3823 6921
The Carmen Thyssen-Bornemisza Collection: touring show of 94 paintings, ranging from the 18th century to the early 20th. Highlights include 19th century Spanish works and works by American painters. Also on display are recently acquired works by Delaunay and Braque; from Aug 8 to Oct 4

Museum of Contemporary Art
Tel: 81-3-5245 4111
At the End of the Century: One Hundred Years of Architecture. Touring exhibition reflecting on a century of dramatic change, from early 20th century colonial architecture through modernism and the Bauhaus to the rise of theory and skyscrapers. The installation is designed by Frank O Gehry; to Sep 6

Odakyu Museum
Tel: 81-3-3342 1111
Aubrey Beardsley: touring display of more than 200 drawings, prints, posters and books; to Aug 18

■ VERONA

OPERA
Arena di Verona
Tel: 39-045-800 5151
www.arena.it
Tosca: by Puccini. New production by Giuliano Milandio, with sets by Luciano Ricceri. Cast includes Ruggero Raimondi and the conductor is Zubin Mehta; Aug 14

■ WASHINGTON

EXHIBITIONS
National Gallery of Art
Tel: 1-202-737 4215
www.nga.gov
● Manet, Monet, and the Gare Saint-Lazare: places Manet's famous painting in a context provided by works by other artists and a group of related drawings, prints and photographs; to Sep 20
● Mark Rothko: major retrospective of the American abstract artist, including loans from Europe and Japan. The 100 works on display encompass all phases of Rothko's career, from the late 1920s to 1970; to Aug 16

JAZZ

Wolf Trap
Tel: 1-703-218 6500
Ray Charles; Aug 11

Arts Guide by Suzanne Rustin
e-mail: susanne.rustin@rt.com
Additional listings supplied by ArtBase Tel: 81-20-664 6441
e-mail: artbase@pl.net

Weekend Investor

Wall Street

The fact is, people just wanted to sell

John Authers advances an explanation for the Dow's unsteady week

This week on Wall Street has been a market reporter's nightmare. Exceptional volatility always makes life tough. Even more of a problem is that readers dislike reports that do not provide at least one clear reason why the market has moved.

In desperation, and when there is no clue why the market is down, one threadbare explanation always will be true: "More sellers than buyers." So that must serve to explain Tuesday's sharp sell-off when, with no particular new information on either the economic or the corporate front, blue-chip stocks had their worst day of the year.

The Dow Jones Industrial Average fell almost 300 points, and dropped below 8,500. The total volume of shares traded on the New York Stock Exchange was 820m, the second highest ever.

Next day, dealing was even heavier, with 850m shares changing hands. The Dow fell another 120 points at one stage. It continued its unsteady progress for the rest of the week. By midday yesterday, though, it had regained most of its losses.

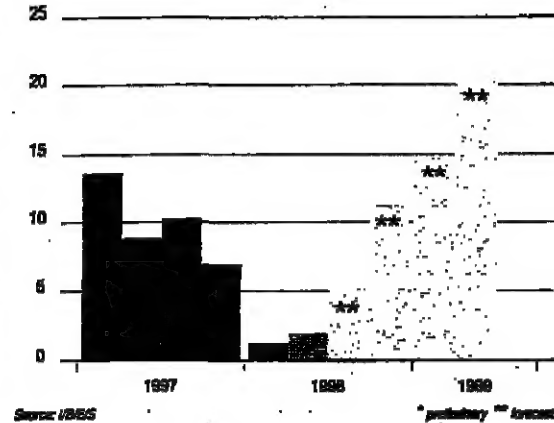
There were plenty of fundamentals to explain all of this, but none that traders had not known about before Tuesday morning. Corporate earnings were growing far more slowly than forecast, smaller companies had been falling sharply for weeks, and the Asian crisis continued to exert a downward drag on the entire market.

Personal factors were important. The dramatic change of heart by Prudential-Securities' Ralph Acampora - a long-term bull who suddenly, on Tuesday morning, predicted that the Dow would dip to between 15 and 20 per cent below its highs - certainly damaged confidence. The stalwart response on Wednesday when Goldman Sachs' Abby Cohen and others said, confidently, that there was now a buying opportunity, also was important.

But the market generated its own collapse on Tuesday, without help from outside agencies. As Acampora pointed out, technical indicators looked awful, with the number of stocks at a 52-

Room for disappointment: S&P 500 earnings

Earnings per share growth (%)



week low reaching its highest level since 1994. Last week, the number of declining stocks exceeded those rising by more than 7,000, another classic signal of an impending correction after prices had gone too high. The high volume of trades shows that many people simply wanted to sell.

Corporate earnings growth is now at the centre of discussion. Results for the second quarter appear to show that earnings for the Standard & Poor's 500 companies are growing at less than 3 per cent annually - far too slow to sustain a continued bull market. Earnings growth for the first quarter was barely above 1 per cent, its lowest since the first quarter of 1991. But the market was prepared to treat this as a one-off response to the Asian financial crisis, and stocks continued to rise.

First Call, the Boston-based research agency, reports that projections for the third quarter have come down very swiftly. While analysts were looking for 10 per cent growth in the third quarter at the beginning of July, that figure has fallen to 5.7 per cent. IBES, another research agency, puts consensus estimates for this quarter even lower, at 5.2 per cent.

The prolonged negative effects of the Asian economic downturn have had the most obvious impact on earnings. In midweek, though, analysts began to publish reinterpretations of second-quarter results. They found that problems centred

on the companies most affected by falling commodity prices, such as oil or paper businesses. Oil prices were down more than 30 per cent.

Many large companies had taken big charges for big corporate events such as mergers; more than \$1bn apiece at AT&T, Compaq, Motorola and Xerox. This depressed their headline earnings but meant that operating earnings remained on a positive trajectory - up 5.7 per cent according to Cohen.

This left several analysts with a much more positive gloss on the second quarter's profits and, by implication, the prospects for the future. This is just as well, as stocks are still priced on the expectation of a very strong recovery in earnings growth. According to IBES, the consensus forecast sees earnings per share for the S&P 500 companies growing at a year-on-year rate of 11.3 per cent in the final quarter of this year, and 20.3 per cent in the second quarter of next year.

If these forecasts are right, this week's events will prove to have been a correction. If they are wrong, and such optimistic forecasts leave plenty of room for disappointment, this could be remembered as the start of the bear market.

Dow Jones Ind Average
Monday 8,788.74 - 96.55
Tuesday 8,487.31 - 293.43
Wednesday 8,546.78 + 59.47
Thursday 8,577.68 + 30.90
Friday

London

Bruised by a nasty fall

But Philip Coggan doesn't see apocalypse now

Share prices can go down as well as up. They have been warning us about this on official forms for the past decade or so, but it has still been difficult to believe it.

True, there was the Saddam Hussein/recessionary setback in 1990. But that was the first down year for the market since 1976. Then there was 1994, the year of rising US interest rates and the Mexican peso crisis. But the FTSE All-Share index's fall on the year was just 9.5 per cent.

For much of the time, the motto of the market has been onwards, ever upwards. Since the start of the 1980s, it has risen in 16 out of 18 years and, on 13 occasions, the gain has been in double digits.

So, the rapid plunge of the past few weeks must have come as a nasty surprise for most investors. At its worst on Thursday, the FTSE 100

index had declined by 10.2 per cent from July 20's all-time closing high - there by meeting the conventional definition of a "correction".

A correction is one of the milder forms of stock market decline and can be positively healthy - the equivalent of a cold shower on a hot day. When investors get over-exuberant and convinced that share prices can go only higher, a correction brings them back to earth and allows the bull market to be established on a more solid basis.

A bear market is a much more serious decline - usually defined as 20 per cent or more. Thus, it represents not a phase within a bull market but a completely different period.

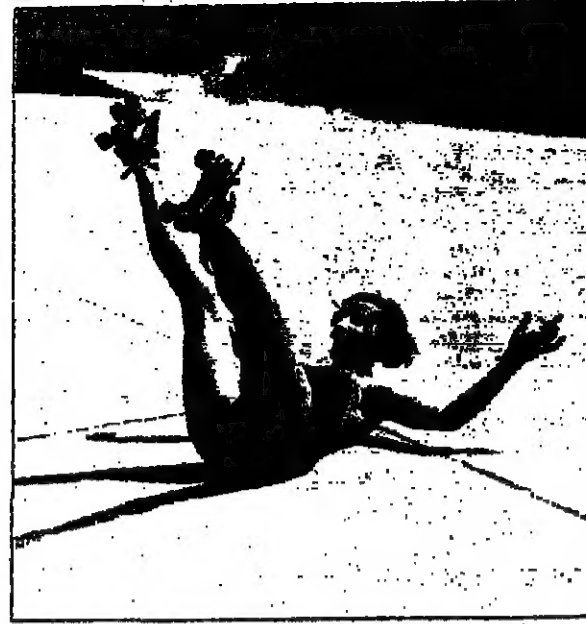
In some cases, such as 1972-74, all of the gains in the preceding bull market will be wiped out.

Periods such as the crash of 1987 are difficult to put in a neat category. In theory, a

crash is just a very rapid bear market. Certainly, share prices fell more than 20 per cent after Black Monday, but the market still ended higher over the year as a whole and, in retrospect, late 1987 was just a blip in the long bull market.

The present decline is much less dramatic in scale or speed than the one in 1987 and it is conceivable that, in a couple of months, it will be just a vague memory. Indeed, it is hard to find City commentators who are predicting an apocalypse.

Back in December, the analysts produced by this column polled end-1998 forecasts for Footsie varying between 5,000 and 6,000. The pundit who is most bearish at present, Richard Jeffrey at Charterhouse, has a target of 5,200, around 7 per cent below Thursday's close. In fact, most strategists seem to expect a rebound. Several, who found



Bumpy landing, but there looks to be scope for a rebound

their targets surpassed by the end of the first quarter, changed their predictions earlier this year and some went all the way up to 6,600. Those shifts are starting to look a little bit rash, though.

The bearish case has both a domestic and an international component. The UK corporate sector is being squeezed between the strong pound, higher interest rates and rising wage pressures. According to the information company IBES, profits growth for 1998 is expected to be only 4.8 per cent.

Internationally, the ramifications of the Asian crisis, and particularly the recession in Japan, are working their way gradually through the system. This week's sharp fall on Wall Street, where the Dow Jones Industrial Average recorded a one-day drop of 300 points, came as investors adjusted to the realisation that US profit estimates were looking too optimistic.

Even after the recent setback, the UK market does not look in historically cheap territory. As the chart shows, the price-earnings ratio on the Non-Financials index is over 21; a bit rich when earnings are growing at just 5 per cent a year.

The gross dividend yield on the All-Share has crept back over 3 per cent, above the historic lows recorded in the spring. But that figure is somewhat misleading after the abolition of the tax credit last year; the effective return is more like 2.85 per cent.

These ratios are justifiable to some because of the low

inflation and low interest rates prevailing. In spite of the six rate increases since the election, base rates are still equal to only the lowest level that prevailed during the 1980s; gilt yields are as low as they have been since the 1960s. This must give some support to share prices; normally, as in 1987, problems for equity markets have been signalled in advance by rising bond yields.

The counter-argument is twofold: that, in a low-inflation era, bonds deserve to be re-rated relative to equities. Accordingly, low bond yields should not necessarily be good news for equities; they have certainly been no help to shares in Japan.

Second, profits have been rising as a proportion of GDP for several years and may now be at the part of the cycle when labour starts to reclaim its piece of the pie. That would restrict profits growth.

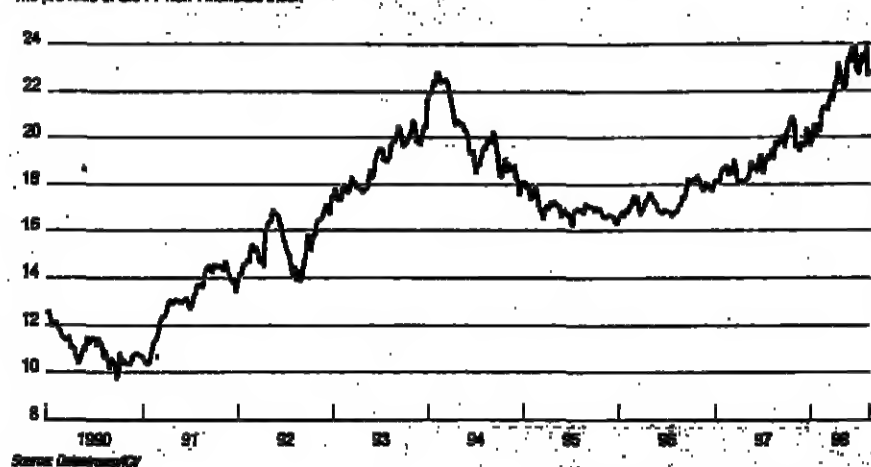
This argument will not be resolved in the next few weeks. But that period should show if Footsie can bounce back significantly - as it did yesterday, gaining 86.3 points to 5,880.4.

Brian Marber, the technical analyst, thinks that the top of the bull market has been seen. But he believes that Footsie has the potential to rebound from here, given it has not broken decisively below its one-year average or the long-term bull uptrend.

philip.coggan@FT.com

Still high ratings

The p/e ratio of the FT Non-Financials index



Highlights of the week

	Price	Change	52 week	52 week	
	July	on week	High	Low	
FTSE 100 Index	5880.4	-156.6	6776.8	4711.0	Falls on Wall Street
Albright & Wilson	1281	+18	1914	105	8th speculation
CMG	1875	-275	2287.4	611.4	Economic fears hit high IT ratings
Compass Group	528.5	-43.4	700	287.4	Broader comment
Q&A	759	-84	890	525.4	Good figures
Heron	344	-28	395	245	Lowering US environmental liabilities
Haworth	193	-19	255	167.4	Hope of bid
Imperial	334	+115	335	189	8th
Indica	281.4	-104	388	19	Falls as far as first big investor
KSC Advanced Tech	181	+13.6	430	155	Results, bullish trading statement
Luxor	221.4	+17.4	288	183	Refocusing
Next	1180	+120	1241	671	Results
Shire Pharmaceuticals	359.4	-122	548	257.4	Fire at US plant
Wyeth Gdn Centres	289.4	+23	373.4	239.4	Results showed losses over bad weather
Zoltek	142.4	-9	240	140	Disappointing profits

Barry Riley

Crashes can be elusive

But remember - October is only two months away



It is that slightly spooky period of the year when we are inclined to look back nervously at the seasonal timing of past financial crises. We worry that, although summer reached London only this week, there are just two months to go until October when the stock market's ghosts and ghouls are liable to jump out from their gloomy, autumnal hiding places.

Strange and powerful forces, certainly, are at work. The Dow Jones Industrial Average has tumbled nearly 10 per cent in three weeks, even though no obvious fundamental shocks have been apparent. If the second-quarter earnings reporting season has caused disappointment it is only because expectations were unrealistic to start with.

On Wall Street, the bears have finally got a grip on the handful of blue chips that have powered the latter stages of the bull market. In London, we have looked on with trepidation, suffering as we are from our own particular recession scare; the FTSE 100 index is also down nearly 10 per cent and at its lowest in six months.

Doomsters warn us that the stock market crash for 1998 so far bears an uncanny similarity to those for 1929 and 1987. I have looked at the Wall Street charts and cannot see that the patterns, apart from showing obvious bull market features, are all that close. In these crash years, the market was continuing to rise in August, whereas surely we have seen the peak in July this time.

This may mean that the parallels are misleading or, alternatively perhaps, that the feared meltdown will come much sooner than Halloween; panicky investors may jump the gun. When investors identified the positive seasonal "January effect" in the US small company sector, the phenomenon promptly advanced into December.

Robert Hove, at Quantum

The past is a very flawed guide to the future... usually, the worst does not happen

Research in Vancouver, has been comparing New York (and Hong Kong) this year with charts not from 1929 but 1930. That was when, after a good recovery from the October 1929 crash, the Dow began by late summer to slip away to what proved a much lower bottom in 1932.

The Dow reached a trough on June 22 1930 (this year, June 15) before peaking on July 18 (this year, July 17) and bottoming again on August 12. If this pattern continues to be followed, there will another short-term peak at the end of this month before a further serious slide during the remainder of the year.

This, though, seems rather more like financial astrology than serious analysis. The past is a very flawed guide to the future: in 1988, Wall Street followed the 1930 pattern with ominous closeness as far as an

fall in October 1929, having peaked long before in the spring of 1929.

These days, we assume that London is correlated much more closely with Wall Street than 70 years ago. However, if you want to draw apocalyptic parallels, you can focus on the way that the Asian markets began tumbling more than a year ago.

The US market ignored that weakness and, indeed, may have been boosted by it temporarily through the diversion of investment capital flows from east to west. Now, though, Asia's crisis is more clearly damaging the US corporate sector.

Should we allow ourselves to be spooked by the time of year? In 1987, the Dow fell by 34 per cent between October 5 and 19. Last year, it fell much more temporarily by 12.5 per cent between October 7 and 27. Long ago, such seasonality could be attributed to the diversion of

credit to finance the harvest, but that scarcely seems like a credible contemporary explanation.

Traditionally, summer - especially August - is the season for long, rumbling currency crises which are resolved in September only when the politicians return from holiday and are forced to make unpleasant decisions - usually involving devaluation, as with the UK in 1992.

This year, the currency action is in east Asia. The decline of the yen/dollar rate could provide a flashpoint for further Asian problems, including a Chinese renminbi devaluation and the collapse of the peg between the Hong Kong and US dollars.

Perhaps it is not until October that slow-thinking investors can respond to summer developments. In 1987, for instance, the stock market ignored for many months a sharp rise in bond yields. This year, Wall Street has turned a blind eye to Asia-related problems.

But October will bring the third-quarter earnings season, which may well bring more evidence of a profits squeeze and will undermine the assumption that corporate America will surge forward again in 1998.

At this stage, however, the UK politicians have only just gone away. Their seasonal absence might offer one reason why, on the basis of Schwartz's database, August is one of the better months for the UK stock market. But not, on the evidence so far, this August.

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FINANCIAL TIMES

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FT WEEKEND

True Fiction

Californian junk mail jeremiad

A Gulf Stream of paper sweeps Arnie Wilson to complete anonymity

I am sure Joe Mintz is a charming chap, but right now I wish I had never heard of him. Even better, I wish he had never heard of me. Seven years ago, because I was interested in developments in the Californian skiing industry, I made rather a silly mistake and gave my home address in south-west London to the California Tourist Department in Sacramento.

I was duly deluged with brochures and press releases covering just about everything except skiing. However, I felt it was a small price to pay for the occasional nugget about Squaw Valley or Heavenly.

Then I moved house. But thanks to Joe - or his successors - the brochures kept coming. Graciously, my former flat-mate continued to send them on to my new address.

Partly to save her the trouble, I decided I no longer wanted to wade through this Gulf Stream

of paper from California, and dropped Joe a line at 901 K Street, Suite 1500, asking him to stop mailing me.

It didn't work. Knowing that these things can take time (but, hey! - not a lifetime) I continued to receive this and that about oranges, mountain biking, Fisherman's Wharf, I began sending the envelopes back, pointing out that the contents no longer interested me.

To no avail. I decided that if Joe was determined to keep his missives coming, he might as well have the correct address, so I sent him the details.

The deluge continued unabated - but now to the old address and the new. And now things were beginning to arrive in duplicate. At each address.

After another change of home - duly notified to Mr Mintz - I failed to staunch the flow, I decided to get serious. I telephoned my friend Bob Roberts at the California Ski Industry Association in San Francisco.

"How's it goin', Arnie?" he inquired cheerily, striving to drown the barking of the seals in the harbour nearby.

"Not good, Bob," I said. "How do I get your colleagues at the

Tourism Division to stop sending junk mail to me at my old address?"

"How long has this been goin' on?" he asked.

"About three or four years," I said.

"Jeer," he said. "Leave it to me."

"I'll sort those guys out."

For a few heady, light-hearted months I thought he had done the trick.

But then, like fleas re-infesting the family cat just when you thought he had been deloused, not one, but two, brochures turned up at my old address and were duly redirected.

Then, over a period of some months, came Mammoth Mountain Marmalade recipes, a little phial of sand from Death Valley, a can of fresh air purportedly blown by one of the vast flock of environmentally friendly windmills clustered in the Mojave.

Placezent!

I could hardly contain myself as I punched out Joe's 915 area code. "Joe," I said. "What does it take to take my name off your mailing list? I want to be un-Californicated!"

He seemed most concerned. "I'm really sorry," he said. "How long has this been going on?"

"Over four years now," I said. "Didn't you hear from Bob? It's getting really embarrassing now, because I keep telling the person at my old address - the one you keep using - that I've finally sorted it out."

"I quite understand. We did hear from Bob, and I thought everything was OK."

"I'll make sure we sort it out this time."

That was a couple of years ago.

Yesterday two identical Californian Tourist brochures arrived at my latest address, sent on by my long-suffering former flat-mate, to join two more

which had arrived direct ten days earlier. Since the dark day in 1985 that I gave the California Division of Tourism my card, I have moved six times.

I no longer want anything to do with California. Are you reading this Joe?

Please do not send anything about anything to me anywhere, especially to the place I lived at until 1991.

I am no longer interested in California, or even the US. I am no longer employed in the travel industry. I have retired. I am of no use to you.

You are wasting valuable postage, not to mention whole bags of trees, on a completely pointless and extremely irritating exercise.

Please find, by return of post, my new business card.

It says: No Name. No address. No phone. No e-mail. No fax. Please stop pestering me. I no longer exist.

Metropolis

When the push of technology comes to shove

Is there a place for frescoes and chubby-cheeked cherubs in a modern bank, asks Eleanor Curtis

For 500 years, the sprightly cherubs adorning the ceiling of the 16th century Palazzo Salimbeni in Siena have received many admiring glances, not necessarily from art lovers, but from passing banking executives in the course of their daily toil.

Housed on the first floor of the Palazzo Salimbeni, this glorious example of Renaissance decorative architecture is one of many fine details in the still-functioning sede (headquarters) of the Monte dei Paschi di Siena (MPS) bank.

The three palazzi of Piazza Salimbeni - Salimbeni, Spanocchi and Tantiucci - have shaped the life and soul of the MPS for more than 500 years.

Most of the numerous grand halls, towers and private chambers that comprise this complex of 15th and 16th century Gothic-styled palaces in the centre of Siena, house impressive collections of art and furnishings.

Today, however, the once well-trodden corridors are beginning to resound more to echoes than actual footsteps: the demands of modern banking are challenging the raison d'être of such architectural splendours.

The MPS bank, established in 1472, began life as a pawnbroker, and has always been based in the prized palazzi in the heart of the beautiful historic Tuscan city. It is now one of the top 10 Italian banks, and has more than 770 branches.

The palazzi have undergone two significant restorations, the first at the end of the 19th century and the second in 1972.

Their original Gothic style of architecture - typical of Siena - has been retained and the most delicate details of decorative Renaissance art have been preserved.

Even the marks and dents made by the blades of the heavy Tuscan swords in the great banquet hall of the grand hall in Palazzo Salimbeni can still be seen - though the hall is used today for banking conferences, rather than flamboyant displays by the bank's official sword-bearer.

But where do the golden chubby-cheeked cherubs that are part of the building's many frescoes fit into the modern world of international banking? Telecommunications and air conditioning - the adornments required of today's international banking premises - threaten to relegate these beautiful buildings to the status of museum pieces: somewhere to impress official guests, rather than conduct serious business.

The precedent has been set. The offices of MPS's holding company, impressively housed nearby in the 14th century Palazzo Sanseverino, in Siena's great Piazza del Campo, are temporarily transformed each year into a spectators' gallery for VIP guests, offering them an excellent view of the Palazzo - the city's traditional bareback horse race around the town's main square.

As well as the offices, boardrooms and grand halls, the Palazzo Salimbeni houses an art collection and a wealth of archive material documenting the MPS's history. This material, carefully conserved behind glass cases,



Palazzo Salimbeni houses a glorious example of Renaissance decorative architecture

Eleanor Curtis

includes financial statements dating back to its first customers in the 15th century.

The buildings are kept in excellent condition and are under the watchful eye of the Soprintendenza per i Beni Ambientali e Architettonici, the locally based authority for care of historic buildings. Any changes or additions must be made with the utmost care, and must not disturb the original structure.

It makes the job of modernisation an even greater challenge. Weaving lighting systems around frescoes, and running heavy cabling via superficial floors, through a complex of small

rooms, grand halls and galleries, some with walls 70cm thick, is neither cheap nor easy.

For example, a recent architectural project to update the 17th century Biblioteca Ambrosiana in Milan (funded by another leading Italian bank, the Cassa di Risparmio delle Provincie Lombarde), cost an estimated £12m (£4,000 per square metre, totalling 140bn (£18m) over eight years.

What to do with revered, but now dysfunctional, buildings is a question plaguing many historic centres. Venice has become, some argue, merely a well-catered-for visitors' centre. Cairo, a city

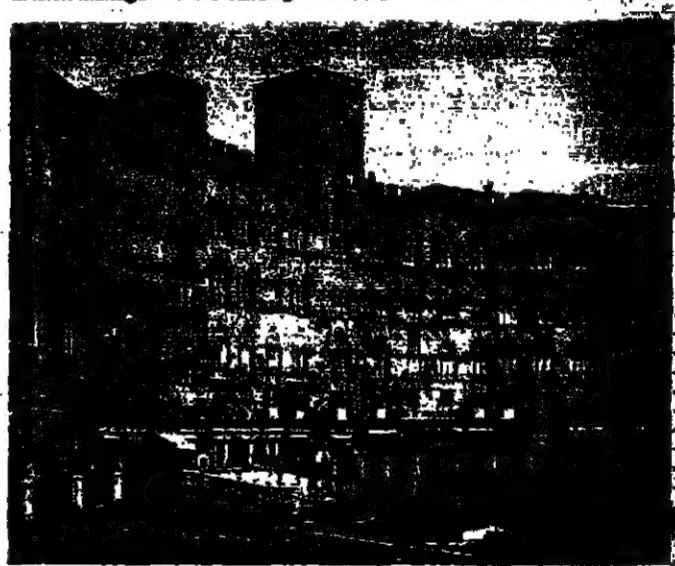
littered with more than 650 historic monuments, has fixed "Building of historic interest" brass plates on too many of its jewels, leaving most of them empty, unusable and abandoned.

MPS must decide to revel in its ancient rituals and mix with its ghosts by using the Palazzo Salimbeni and its other prized real estate in the region solely for formal functions and special occasions.

Because the palazzi are not ideally suited for traditional banking transactions, the MPS is gradually consolidating its business activities in two new buildings just outside Siena's city walls.



Branch manager: MPS's buildings inside the Palazzo Salimbeni in Florence



Each year Palazzo Sanseverino becomes a visitors' gallery for the Pallo

The first of these was opened last December, and perhaps ranks as the city's only eyecore.

It is strikingly modern, clad in concrete and aluminium, and, maybe because for centuries the old building had to be adapted, the new one is designed entirely for functional efficiency. This building holds no charm or mystery.

It is difficult to judge whether this is a necessary and inevitable solution to the dilemma of a poor compromise; whether the requirements of international business will always take precedence over cultural and historical identity; or whether the MPS's

architectural commission shows how old and new must learn to live side by side, respecting each other's needs.

As the push of functionality has come to shove, it seems the MPS banker of tomorrow is destined to become a tourist amid the bricks and mortar of his own heritage.

While the future use of the palazzi remains ambivalent, the commonsense words of Roberto Rocchi, MPS's spokesman, are soothing: "Palazzo Salimbeni will hopefully remain as the symbolic seat of the bank."

"What else could these wonderful buildings be used for?"

Arcadia

All guns blazing on the moors

Grouse, hen harriers and shooters are competing for space. Michael Wigan reports

B raveheart may be gone, but blood is still spilling again on the carpet of heather. This time, the battle is for possession of British moorland, which once again has proved to be the last refuge of a doughty but endangered species.

Under threat today is the wild shooter, the gunhand who wants to face a bird travelling past at 80 miles an hour - and stop it with some particles of lead.

Grouse, the supreme target for wing-shooters, stir emotions in multifarious breasts. Ranked against the shooters are birdy folk, passive rather than active participants, who would prefer to see grouse left alone to be ripped apart by birds of prey.

Wild shooting may soon be the only kind that Europeans' tenderised consciences allow them. For shooting reared game is tarred with the brush of its worst practitioners, manufacturing droves of pheasants into which paragon shooters can scattergun a result without moving many inches from their shooting brakes.

European laws may outlaw this, in keeping with the gradual distancing of humanity from other creatures - epitomised by the abolition of circus animals - and regroup its shooting ethics around the more primitive and natural arena of wild shooting.

The question that remains is: how wild? Grouse are not reared,

rather, moorland management increases their health, numbers and distribution. Today's more clinical approach to grouse management includes catching them at night and squirting doses down their throats to combat the most invidious diseases.

What modern grouse managers try to do is iron out the notorious population swings which historically made grouse shooting unpredictable, and makes sporting income erratic. Old records show moors which one year had tens of thousands of birds, the next had stock reduced to mere remnants by cyclical diseases.

Wild, though, the grouse remains. No one has ever reared them for commercial shooting, and no one disputes their free spirit.

But the world is now one in which management of wildlife of all kinds is being suspended in favour of a free-for-all, and the hand of man is perceived as selective and destructive. The dosing of grouse, burning of heather for better grouse feeding,

and killing of the few permissible predators, is beginning to look as outmoded as tweeds and gamecard photographers have never needed to intensity and which attracts millions of visitors. To stand in a sea of this so-called mini-forest while knocking grouse out of a blue sky is what made British prime ministers repair to the moors in mid-summer and what today induces exhilarated visiting shooters to write fat cheques.

Managed wild shooting will not be outlawed, but recent research performed collaboratively by the

Royal Society for the Protection of Birds and the Game Conservancy demonstrated that a strict application of bird protection laws could stifle it.

The research, done on a moor called Langholm in the Scottish Borders, showed that a proliferation

Wild shooting may soon be the only kind Europeans' consciences allow them

of the specialist grouse destroyers, hen harriers, resulted in grouse being reduced to a fraction of their former number. A high-value rental asset had been converted, in the first phase, into a sporting wasteland.

This result was claimed as a victory by both sides. The royal society focused on the habitat,

claiming that it was because the landholder had allowed the heather to succumb to encroaching grass that so many harriers had swooped in; and the shooters said their fears about hen harriers were vindicated.

A stalemate ensued, soured further by the society asserting that all other similar moorland must be rife with persecution because it had fewer harriers.

The highly contentious reintroduction of the wolf in northern America offers a parallel. But there is a critical difference. When the protests of the cattle ranchers were inevitably overcome, and the wolves released, fears about ranches littered with the remains of valuable stock were not realised. Wolves did not decimate farm stock; they picked at it.

In Minnesota, where about 8,000 farms were situated within the reintroduction range, only one sheep out of 400 and one cow in every 6,100 was devoured. The state's total compensation bill was a trifling \$32,000.

On the evidence of Langholm, the harrier on its own could eliminate great swathes of the precious moorland economy; and in Britain, no thought of compensation for lost livelihoods has ever been entertained.

The powerful bird charity, however, risks being hoist with its own petard. For, in addition to wishing gamekeepers would leave alone the nests of hen harriers, the society acknowledges that management for grouse, with its selective vermin control, and careful mosaic patterning of the heather, is excellent for conservation generally. In particular, it sustains other, equally precious, moorland breeding waders.

In order to avoid the dread alternatives of intensive sheep farming (habitat-damaging), and commercial conifer forestry (unecological monoculture), the society would like to have more grouse-managed moors - but preferably run without the need to provide commercial quantities of grouse.

The purism of Europe's largest

conservation charity has driven it into a corner. It cannot stomach the idea of selective harrier control, and it is agnostic as to the possibility that millions of acres of British moorland should be abandoned, following desertion by the shooting industry.

It has discovered that being a big landowner (it holds 250,000 acres) results in unpopularity locally, and has become tentative about more large land purchases. Land controlled by the state, with a medley of interest groups milling around unfettered, the devoid of heather management, has been shown to result in wilder deserts.

People may like goggling at birds; the reverse is not true. The society theorists know that however radical the reform of Europe's agricultural policy, it will never go as far as paying people simply to manage moorland for its own sake.

Some form of tangible output is essential. The obvious way forward is to devise policies with which sporting landowners could concur. The challenge waits to be met, however, when doing battle with the moors, historical precedent favours the locals.

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